SASKATCHEWAN

Report of the Provincial Auditor

to the Legislative Assembly
of Saskatchewan

2004 Report
Volume 3

Provincial Auditor Saskatchewan

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Vision

We envision effective, open, and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability.

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SASKATCHEWAN

November 29, 2004

The Honourable P. Myron Kowalsky
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2004 Report – Volume 3*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Fred Wendel, CMA, CA
Provincial Auditor

/dd

Our 2004 Reports

In 2004, our Office issued seven other public reports to the Legislative Assembly. Following is a list of those reports. If you wish to obtain copies of these reports, or wish to discuss or receive presentations on the contents of any of these reports, please:

- visit our web site at:
  http://www.auditor.sk.ca/
- contact our Office by Internet e-mail at:
  info@auditor.sk.ca
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Our Reports:

- *Report to the Legislative Assembly of Saskatchewan on the 2003 Financial Statements of CIC Crown Corporations and Related Entities: April 2004*;
- *Report to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the 2003 Calendar Year: April 2004;*
- *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: 2004 Report – Volume 1 (June 2004);*
- *Annual Report on Operations For the Year Ended March 31, 2004 (June 2004);*
- *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: Understanding the Finances of the Government: 2004 Report – Volume 2 (September 2004);*
- *Report to the Standing Committee on Crown and Central Agencies Regarding Disclosure of payee information: October 2004; and*
- *Business and Financial Plan For the Year Ended March 31, 2006: As Presented to the Standing Committee on Public Accounts: November 2004.*

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Introduction

My Office helps to improve how government agencies manage public resources. We also help to improve the information government agencies give to the Legislative Assembly.

The Government delivers its services through nearly 300 agencies. These agencies include departments, Crown corporations, authorities, boards, commissions, and special purpose funds. Appendix 2 of this report lists these agencies. This report covers mainly agencies with March 31, 2004 year-ends. Our 2004 Report – Volume 1 covers mainly agencies with December 31, 2003 year-ends.

For the most part, the 140 agencies covered by this report have adequate practices to manage risks to public resources. That is, the agencies have sound practices to safeguard public resources and have complied with the laws governing their operations. Also, most agencies published reliable financial statements. However, serious problems exist at some agencies. The Government needs to fix these problems.

Also, many government agencies continue to improve their public accountability. Later in this chapter, I highlight examples of significant progress.

Part A of this chapter highlights issues concerning risk management and accountability for several government agencies covered in this report. Part B presents the main points for each chapter of this report to provide an overall summary of the report.

Risk management

My Office continues to focus on how government agencies manage risks related to the key forces and trends that affect them. Managing these risks is critical to effective government services and the ability to pay for those services. The key forces and trends affecting the Government include population changes, advancing technologies, economic constraints, globalization, and pressures on the environment.

Government agencies that are well-managed have good governance practices. They have a clear plan of what they want to do, they determine the risks that may prevent them from carrying out their plan, and they have strategies to reduce their risks. They also monitor their progress in achieving their plans.

In addition, well-managed agencies tell legislators and the public what they plan to do and how much it should cost. They then report what they actually did and what they spent. Having to answer for what they actually did compared to what they planned to do improves how government agencies manage public resources.

Under the headings economic constraints, population changes, and advancing technologies, I highlight some of my Office's work related to these key forces and trends.

Economic constraints

The demand for public services continues along with the demand for lower taxes. Good governance and supervisory practices help agencies respond to these pressures.

Many of our findings in this report relate to poor or improper use of public resources when agencies do not carry out their duties effectively. For example:

- Some boards of directors have not set direction or properly monitored the actions of senior management.
- Some agencies have not adequately carried out their duties to supervise agencies that are accountable to them.

Chapter 2—Health reports on the Department's progress reorganizing the way the Government delivers health services. Last year, the Department began to consolidate the activities of 32 district health boards into 12 regional health authorities. Many of the changes to fully integrate services were still underway during the year. The Department and the authorities have made good progress to date. We recommend several improvements. These improvements are necessary to deliver effective health services.

To ensure effective delivery of services, we recommend the Department clearly set out its expectations for services and health outcomes for the authorities. It then needs to train the members of the boards of the authorities, monitor board activities, and take corrective action when necessary.

We also recommend that these board members set direction for their authorities, monitor their authorities' performance, and take corrective action when necessary.

We set out six measures to help legislators and the public assess the sustainability of health spending in Saskatchewan. A sound understanding of the health system's finances is important for an informed debate about the issues facing the health system. These issues include the affordability of services and the maintenance of the health system's infrastructure. One of the measures shows that health spending is growing faster than the provincial economy and the consumer price index.

We call for improvements to the Department's practices for overseeing spending of community-based organizations that it finances. The Department needs to make sure that these organizations use public money only to deliver agreed upon services. We report the results of a special investigation that we did on a community-based organization called the Métis Addictions Council of Saskatchewan Inc. We provided this report to the Minister of Health in October 2004. The Council misused public resources and the Department lacked information to act promptly to fix the problem.

Chapter 3—Learning and *Chapter 4—Community Resources and Employment* report on how these departments provide financial help to people. The assistance is available to those people who meet a financial needs test. Both departments are doing more work to ensure that the people receiving assistance are entitled to it.

We also report that Community Resources and Employment is improving its child protection practices.

Chapter 5—Liquor and Gaming Authority reports that it has improved its supervision of Saskatchewan Indian Gaming Authority Inc. (SIGA). We made several recommendations in 1999 and 2000 to improve Liquor and Gaming's supervisory practices. The most important recommendations are now implemented.

Those recommendations relate to setting spending policies for SIGA, monitoring SIGA's compliance with the policies, and the recovery of spending that does not comply with the policies.

SIGA now has approved spending policies for all of its expenses. However, SIGA needs to pay more attention to complying with those policies.

Three years ago, Liquor and Gaming approved policies to control SIGA's spending on staff travel and sponsorships. SIGA's compliance with those policies is poor. Liquor and Gaming did a review of SIGA's 2003-04 spending on staff travel, marketing, and sponsorship. It found misuses of public money. When SIGA misspends, the full amount of the misspending is not available for First Nations communities because Liquor and Gaming recovers its share of the money that SIGA misspent from the First Nations Trust Fund.

Chapter 10—Justice reports that the Department needs to better manage penalties for offences under various laws. Tickets deter the public from disobeying the law. To be effective, tickets must be enforced. For several years, we have reported that Justice should improve its enforcement practices.

Population changes

Saskatchewan faces a potential shortage of skilled workers. This is a risk for the Government and for the economy as a whole. This year, we continued our focus on workplace safety as well as human resource plans. In this section, I discuss some of the ways the Government manages this risk.

Keeping the services of skilled workers available

Preventing injuries to workers reduces workers' suffering and helps keep the services of skilled workers available. These activities will help moderate shortages of skilled workers. Preventing injuries also saves money.

The Government keeps the services of skilled workers available by requiring safety monitoring at Saskatchewan workplaces, providing a safe workplace for its own workers, and ensuring injured workers are suitably rehabilitated. The Government must manage several risks to accomplish these objectives. It does so through many agencies.

Chapter 2—Health reports what the Regina Qu'Appelle Regional Health Authority and Saskatoon Regional Health Authority have done to reduce injuries to care staff. Last year, we reported that these authorities needed to improve their practices to reduce back and shoulder injuries. We recommended improvements. Progress at Saskatoon is satisfactory. Progress at Regina Qu'Appelle is slow.

Chapter 12—Labour reports improvements to the Department's practices for helping injured workers appeal decisions of the Workers' Compensation Board. The Department dramatically reduced the length of time injured workers must wait for help with their appeals.

Human Resource Plans

Public sector agencies need sound human resource plans. Human resource planning helps to ensure agencies have the right people with the right skills at the right times.

Chapter 11—Public Service Commission describes an audit that is underway at the Commission. We are auditing the Commission's practices for overseeing the human resource planning practices of all government departments. We will report the results of this audit in the Spring of 2005.

Advancing technology

Advances in information technology (IT) have a large impact on the risks at government agencies.

Computer systems and networks bring new risks to the accessibility, security, integrity, and confidentiality of information that agencies use to manage. For information to be accessible, agencies must have contingency plans to operate if their systems fail.

Chapter 2—Health, Chapter 4—Community Resources and Employment, Chapter 5—Liquor and Gaming Authority, and *Chapter 9—Environment* report the need for these agencies to prepare good contingency plans. These agencies may be unable to deliver services, lose essential information, or incur increased costs if their IT systems fail.

Chapter 7—Processes needed to manage IT sets out good processes to manage IT for the overall Government, supervising government agencies, and other government agencies. Our future audits of government agencies will assess their practices against these processes.

Government accountability

My Office continues to focus on improving the Government's accountability to the Legislative Assembly. The ability of the Assembly to hold the Government accountable is key to good government.

This year, we looked more closely at sponsorship spending as well as the transparency and authority for senior management pay and expenses.

Chapter 8—Industry and Resources and *Chapter 19—Crown Investments Corporation of Saskatchewan* reports on sponsorship expenses. We report that Crown corporations and the Department generally have good practices for managing sponsorship spending. We recommend the Department and SaskEnergy should make improvements.

Chapter 19—Crown Investments Corporation of Saskatchewan reports on audit work that we did at five Crown corporations on boards of directors and senior management pay, benefits, and other expenses. These corporations recently improved compliance with *The Crown Employment Contracts Act*. SaskEnergy's board of directors needs to more closely monitor senior management's pay and benefits. Also, SaskEnergy needs to ensure it has proper support for expense payments to senior management.

I also want to call attention to two significant actions that the Government took to improve its accountability since our last report to the Assembly. I discuss these improvements under two headings: payee information and annual reports.

Payee information

Chapter 2—Health reports that regional health authorities gave the Legislative Assembly lists of persons (payees) who received money from the authorities and the amounts they received. The payee information for the year ended March 31, 2004 was made public in July 2004.

Chapter 19—Crown Investments Corporation of Saskatchewan and its related corporations gave the Standing Committee on Crown and Central Agencies the payee information it requested. The payee information for the year ended December 31, 2003 was made public in October 2004.

These two events are a significant improvement to the accountability of these government agencies. It also improves the management of public resources because:

- it reminds these government officials that that they are spending public money;
- it adds rigour to decision-making as it ensures those that spend public money know that their use of that money will be public; and
- it ensures that legislators and the public know who has received public money.

Annual reports

In 2003, the Department of Finance issued guidelines for improving annual reports incrementally over the next few years. It based the guidelines on the most current Canadian principles for annual reports of public sector agencies. The guidelines are based on a publication by CCAF-FCVI Inc. We commend the Department for using the CCAF's principles. We encourage all government agencies to use these guidelines to improve their reports.

In *Chapter 15—Public plans and annual reports assessments—Departments*, we report on our assessment of the 2004 annual reports of 15 government agencies. The agencies gave these reports to the Assembly in the summer of 2004. These agencies have generally complied with the Department of Finance's guidelines for 2004 annual reports.

Legislators and the public now have better information to judge the performance of these agencies. We will continue to monitor how agencies improve their annual reports.

Acknowledgement

The dedicated efforts of the staff of this Office are essential for the continuing achievement of its responsibilities. The knowledge and commitment of our staff make this report possible. A list of staff is set out in the following exhibit.

Exhibit

My colleagues at the Office of the Provincial Auditor for Saskatchewan are:

Ahmad, Mobashar
Anderson, Mark
Atkinson, Brian
Bachelu, Gaylene
Boechler, Danielle
Borys, Angèle
Brezinski, Curtis
Clemett, Tara
Creaser, Phil
Dayman, Michelle
Deis, Kelly
Dickin, Deann
Drotar, Charlene
Dulle, Leanne
Duran, Jason
Duran, Joel
Emond, Candice
Ferguson, Judy
Grabarczyk, Rod
Grunert, Cherie
Harasymchuk, Bill
Heebner, Melanie
Heffernan, Mike
Hoang, Lysa
Hungle, Angie
Jersak, Rodd
Kirchner, Carolyn
Klein, Robin
Knox, Jane
Kress, Jeff
Lahti, Kami
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Montgomery, Ed
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Ottenbreit, Stacey
Pritchard, Brent
Ross, Chantara
Rybchuk, Corrine
Schell, Doug
Schiller, Rita
Schwab, Amy
Schwab, Victor
Shorten, Karen
Sommerfeld, Regan
St. John, Trevor
Thomson, Nathan
Thorson, Angela
Tomlin, Heather
Volk, Rosemarie
Walker, Sandra
Wandy, Jason
Watkins, Dawn
Wendel, Leslie

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Compilation of main points

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Chapter 2—Health

Part A of this chapter sets out the results of our audits of the Department of Health and its Crown agencies. The Department needs better reports from regional health authorities (RHAs) to monitor their progress in achieving the Department's objectives and to hold them accountable for their annual spending of $1.9 billion. It does not have a capital asset plan to manage its $900 million in capital assets (e.g., land, buildings and equipment). The Department needs to improve its capital project agreements with the RHAs and other health agencies to help ensure that it can meet its objectives for capital construction.

Part B sets out six financial measures that help the Legislative Assembly and the public to assess the sustainability of health spending. A sound understanding of health spending is important for an informed debate about the health issues facing Saskatchewan. Those issues pertain to the affordability of programs and services and the maintenance of Saskatchewan's health care infrastructure of buildings and equipment.

Part C describes the results of the audits of the 12 RHAs. Boards of directors of the RHAs need to improve how they set direction, monitor performance, safeguard public resources, comply with the law, and ensure adequate accountability to the Legislative Assembly.

Part D explains the progress made by the Regina Qu'Appelle and Saskatoon RHAs in implementing our 2003 recommendations to reduce work-related back and shoulder injuries to care staff. Saskatoon has taken action to reduce injuries; Regina Qu'Appelle has made limited progress.

Part E describes our special investigation, requested by Cabinet, of the Métis Addictions Council of Saskatchewan Inc. (MACSI) for the period April 1, 1998 to February 18, 2004. MACSI did not have adequate rules and procedures to appropriately safeguard and control the money it received from the Department during the above period. From June 2001 to February 18, 2004, MACSI spent public money inappropriately and imprudently. We also found that the Department's oversight processes were not adequate to ensure that MACSI properly protected all public money and spent it prudently and for intended purposes.

Chapter 3—Learning

Learning is a lifelong process. It is our key to success in school and in life. The Department of Learning has overall responsibility for the learning sector.

The Department continues to move forward in improving public information about the learning sector and its plans for the sector. In addition, it is using new processes to gather information on vulnerable students. These actions will help the Department to provide better information on its performance in the future.

School divisions are key partners of the Department. They play a central role in the delivery of pre-kindergarten to Grade 12 education. We continue to recommend the Department take steps to ensure school divisions provide the Department and the public with timely and improved information on their performance (both financial and non-financial).

One of the Department's key responsibilities is to develop and maintain the provincial curriculum for kindergarten to Grade 12. The curriculum guides what these students are taught and when. The Department works with school divisions to implement the curriculum.

The Department continues to need to improve how it documents the resources needed to implement revised curriculum. In addition, the Department is improving how it monitors action on its curriculum evaluation recommendations.

The rising costs of post-secondary education place increased pressures on student financial assistance programs. It is important that only eligible students receive aid in the correct amounts. The Department is taking steps to address our concerns on its processes to verify critical information on student loans.

Chapter 4—Community Resources and Employment

The Department of Community Resources and Employment has improved compliance with its processes to ensure that only eligible persons receive the correct amount of social assistance and that children in its care are protected, but more needs to be done.

In May 2004, the Department prepared a long-term plan to improve compliance with the above processes. The plan, combined with long-term commitment from senior management, should provide a reasonable basis for the Department to comply with its processes. We will monitor the Department's implementation of the plan and report our findings in future reports.

The Department needs to strengthen its monitoring of community-based organizations' (CBOs) progress in achieving the Department's objectives. The Department needs to encourage CBOs to submit timely and complete performance reports.

We assessed whether the Department had adequate processes to measure its progress in helping welfare recipients, and others seeking financial assistance, to find and keep work. We found that the Department was in the early stages of measuring the effectiveness of its welfare to work programs. As a result, its processes were not yet adequate to measure its progress. We make several recommendations to strengthen the processes.

Chapter 5A—Liquor and Gaming Authority

Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) has now revised its policies to address all of our past recommendations to strengthen its management of public money under Saskatchewan Indian Gaming Authority's (SIGA) control. SIGA proposed and Liquor & Gaming approved all of SIGA's spending and operating policies near the year-end. In addition, Liquor & Gaming established a process to determine if SIGA's expenses are unreasonable and to recover the expenses it considers unreasonable.

Liquor & Gaming reviewed SIGA's expenses for staff travel, promotion and sponsorship to assess the reasonability of those expenses and to ensure compliance with policies Liquor & Gaming approved some three years ago. Liquor & Gaming determined that $480,000 in expenses for 2003-04 did not comply with approved policies or were not reasonable. Liquor & Gaming has begun to recover those expenses.

We continue to recommend that Liquor & Gaming reconcile its recorded bank balances to the bank's records promptly and prepare a complete and appropriate contingency plan.

Chapter 5B—Saskatchewan Indian Gaming Authority Inc.

Saskatchewan Indian Gaming Authority (SIGA) is making progress towards addressing all our past recommendations. During the year, SIGA proposed most of its spending policies to Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) for approval. We commend SIGA for doing so. However, because SIGA's spending policies were not in place until close to the year-end, it continued to make payments without due care during the year and the weaknesses we reported in our prior reports continued during the year.

Liquor & Gaming told us that at year-end or shortly after, it had approved all spending policies for SIGA. SIGA now needs to train staff so that they can comply with the approved policies. SIGA needs to pay more attention to ensuring compliance. Some of SIGA's approved spending policies have been in place for more than three years, but SIGA's compliance with those policies is poor.

Liquor & Gaming recently completed a review of SIGA's spending on staff travel, sponsorship, and promotion and determined that SIGA incurred expenses totalling $480,000 that do not comply with approved policies or are unreasonable. Liquor & Gaming is recovering its portion of these expenses from the First Nations Trust Fund. First Nation people bear the cost of SIGA's misspending because SIGA belongs to them.

Chapter 6—Finance

The General Revenue Fund's (GRF) 2004 financial statements are not reliable because Finance used accounting practices that are not in accordance with Canadian generally accepted accounting principles for the public sector. They do not record the GRF's pension liability of $4 billion, and understate the year's pension costs by $47 million. The statements also inappropriately record a $211 million transfer from the Fiscal Stabilization Fund as revenue and $32 million as loans receivable from Crown corporations.

We have significant concerns with the GRF financial statements because the Government uses the GRF's annual surplus or deficit as one of its key performance indicators. In March 2004, the Government presented a summary financial plan for the entire Government as part of the 2004-05 budget and performance summary. We encourage the Government to report on its performance using this summary financial plan together with its summary financial statements, rather than using the GRF statements.

Finance is replacing its financial and human resources computer system. Part of the new system is a new cash management module. Finance installed and operated this module without enough testing or documenting the procedures for reconciling the main bank account. As a result, Finance was unable to reconcile the main bank account's recorded bank balance to bank records for a year.

Chapter 7—Processes needed to manage IT

Information and related information technology (IT) plays a critical role in the delivery of important government services The Government has also spent considerable resources updating and replacing IT systems in the last five years. Currently the Government is replacing the payroll and human resource systems used by departments. The Government is also consolidating some of its IT infrastructure and IT management. These new and planned IT changes are large, complex, and risky. The Government must manage these new risks well.

In this chapter, we outline key IT management processes we will use as criteria when auditing Government's management of IT systems. IT management includes IT planning and supervision, change management, operations and support, security processes and contingency planning. It is important that Government, its agencies, and its supervisory agencies use best practices to ensure the security, integrity, availability and confidentiality of IT information and its related systems.

Chapter 8—Industry and Resources

In September 2002, to attract investment and promote Saskatchewan's competitive advantages, the Government started the "Our Future is Wide Open" campaign. We examined the Department of Industry and

Resources' (Department) processes for coordinating the campaign and assessing its success.

The Department coordinated the campaign well, except that it needs to clearly define the roles and responsibilities of each agency involved. The Department had adequate processes to assess the success of the campaign.

The Office of Northern Affairs operates independent of the Department even though the law sets out that the Department is responsible for Northern Affairs. Therefore, it is not clear who is responsible for the affairs of the north.

The Office of Northern Affairs needs to improve its controls over cash receipts, recording loans and grants, and approvals of payments. Also, the service agreement between the Department and the Office needs improvement. The agreement should clearly state who is responsible for what functions related to the processing of payments.

Chapter 9—Environment

We report two new areas that the Department of Environment (Department) needs to improve. The Department needs to establish processes to ensure proper recording and collection of amounts owing to the Department. Also, the Department needs to follow its rules and procedures to ensure that it reconciles its bank balances to the bank's records promptly.

In addition, we continue to report that the Department has not fully addressed the matters we reported in our prior reports. Accordingly, we continue to recommend the Department:

- document its internal reporting needs;
- follow its procedures for controlling capital assets;
- prepare a complete contingency plan and test that plan to ensure that it works; and
- strengthen its internal audit function by promptly reviewing the audit plan and the audit findings.

Chapter 10—Justice

In this chapter, we set out the results of our audits of the Department of Justice and the agencies it manages for the year ended March 31, 2004.

We found that the Department had adequate processes to safeguard public resources and ensure compliance with the law except as follows.

The Department needs to improve its processes to track, enforce, and collect fines. The Department does not know if it has enforced all fines and charges. As a result, the Department may not achieve its goals of safer communities and upholding the rule of law.

The Department relies on its internal auditor to provide it with information on the effectiveness of the Department's processes to safeguard public resources and ensure that it complies with the law. The Department needs to focus its audit work on the activities where the Department is at greatest risk of loss of public money.

Chapter 11—Public Service Commission

The Public Service Commission (Commission) leads human resource management in the Government's departments. At March 31, 2004, it had adequate rules and procedures to safeguard public resources and complied with authorities governing its activities.

Effective human resource planning helps the Government have the right people, in the right place, and at the right time. This helps the Government provide public services and meet its strategic goals.

Government departments plan for their human resources. The Commission provides oversight for department planning. It also provides strategic direction and coordinates planning for human resources across the entire public service.

This chapter outlines the criteria we are using in our audit to examine whether the Commission has adequate processes to lead human resource planning across departments. Having adequate processes means that the Commission:

- guides human resource planning;
- manages human resource risks across departments;
- analyzes department human resource planning; and
- builds capacity for human resource planning within departments.

We are sharing the criteria to help other agencies that are responsible to guide human resource planning.

Chapter 12—Labour

We report that the Department of Labour had adequate processes to safeguard public resources and comply with the law.

Also, we describe progress in how the Department helps injured workers with their claims for compensation from the Workers' Compensation Board. The Department has dramatically reduced the length of time that injured workers must wait for assistance. However, the Department has not yet created systems to maintain this success.

We will continue to monitor the Department's actions on our 2003 recommendations.

Chapter 13—Agriculture, Food and Rural Revitalization

In this chapter, we report the results of the audit of the Department of Agriculture, Food and Rural Revitalization (Department) and the special purpose funds and agencies for which it is responsible.

The Department needs a process to oversee the operations of the Saskatchewan Agricultural Stabilization Fund. Inadequate and incomplete financial, operational, and compliance reports increase the risk of the Department making inappropriate decisions.

The Saskatchewan Crop Insurance Corporation's internal auditor needs to prepare an adequate work plan and have it approved by the Board. The plan should focus on the areas that present the greatest business risks to the Corporation.

The Department needs to improve its budgeting and financial reporting processes for the Pastures Revolving Fund. Also, it needs to update its policies and procedures manual to include guidance on preparing financial statements.

Finally, the Department needs to establish processes to monitor a research centre's use of public money.

Chapter 14—Culture, Youth and Recreation

Although the Department of Culture, Youth, and Recreation is a relatively small department, it is responsible for a large number of special purpose funds and Crown agencies.

Documenting key processes in manuals or guides provides staff with clear direction and guidance on carrying out their responsibilities. In common with many other agencies, personnel at the Department is changing. As indicated in this chapter, the Department uses a variety of processes to oversee these agencies. We recommend that the Department document those processes.

Chapter 15—Public plans and annual reports assessments—Departments

In 2003, the Department of Finance established guidelines for preparing public plans and annual reports for all departments and Treasury Board Crown corporations. The guidelines contain a four-year implementation schedule that recognizes that improved public reporting takes time and resources.

The guidelines are based on sound performance reporting principles. These guidelines will enable government agencies to effectively report their progress in achieving their plans.

We assessed the public plans and annual reports of departments and three Crown agencies for the year ended March 31, 2004. We found that the departments generally have met the current content requirements of the Department of Finance's reporting guidelines.

Chapter 16—Office of the Chief Electoral Officer

Providing timely and clear information helps to maintain public confidence in the Electoral Office and the electoral process. The Electoral Office needs to provide legislators with a report on its performance each year. In addition, to help legislators understand its planned and actual results, it needs to use a consistent reporting date (e.g., March 31).

Chapter 17—Board of Internal Economy

The Board of Internal Economy (Board) is generally well managed and complying with the law. However, the Board needs to make further improvements in two areas.

First, the Board needs to approve the plans and reports it uses to make decisions. The Board should ensure that the reports it receives provide the information it requires to assess performance.

Second, the Board needs to prepare an annual report on its operations. An annual report is a necessary accountability document for all public sector agencies.

Chapter 18—Reporting on infrastructure

This chapter describes the status of recommendations we made in 2002 and 2003 about the adequacy of the information that four government agencies made public about their key infrastructure. These agencies are SaskEnergy Incorporated, Department of Highways and Transportation, Saskatchewan Transportation Company, and Saskatchewan Property Management Corporation.

SaskEnergy has fully addressed our recommendation for improved public information. The other three agencies improved the quality of information they publish about their key infrastructure, but need to make further improvements. We recognize that some of these improvements will occur in conjunction with improvements expected under the Government's Accountability Framework.

Chapter 19—Crown Investments Corporation of Saskatchewan

For the year ended December 31, 2003, we examined three areas in more depth at Crown Investments Corporation of Saskatchewan (CIC) and its related corporations. We examined payments to Crown corporation directors and senior executives related to their pay, benefits, and expenses; reports of payee information; and processes related to sponsorships and promotion.

Most payments to directors and senior executives were supported and for business purposes. However, there were some exceptions. We also found some cases where Crowns need to improve their policies.

CIC Crowns have prepared comprehensive reports of their payees for the year ended December 31, 2003. Overall, CIC and its related corporations have done a good job in presenting this information. However, to improve future reporting, the Standing Committee on Crown and Central Agencies needs to clarify the requirements of the Committee's disclosure policy. Also, Crown corporations need to provide more complete payee information to comply with the Committee's disclosure policy.

SaskPower, SaskTel, and SGI had adequate processes to control and monitor their sponsorship and promotion expenses; SaskEnergy needs to improve its policies and procedures in this area.

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Health

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Main points

Part A of this chapter sets out the results of our audits of the Department of Health and its Crown agencies. The Department needs better reports from regional health authorities (RHAs) to monitor their progress in achieving the Department's objectives and to hold them accountable for their annual spending of $1.9 billion. It does not have a capital asset plan to manage its $900 million in capital assets (e.g., land, buildings and equipment). The Department needs to improve its capital project agreements with the RHAs and other health agencies to help ensure that it can meet its objectives for capital construction.

Part B sets out six financial measures that help the Legislative Assembly and the public to assess the sustainability of health spending. A sound understanding of health spending is important for an informed debate about the health issues facing Saskatchewan. Those issues pertain to the affordability of programs and services and the maintenance of Saskatchewan's health care infrastructure of buildings and equipment.

Part C describes the results of the audits of the 12 RHAs. Boards of directors of the RHAs need to improve how they set direction, monitor performance, safeguard public resources, comply with the law, and ensure adequate accountability to the Legislative Assembly.

Part D explains the progress made by the Regina Qu'Appelle and Saskatoon RHAs in implementing our 2003 recommendations to reduce work-related back and shoulder injuries to care staff. Saskatoon has taken action to reduce injuries; Regina Qu'Appelle has made limited progress.

Part E describes our special investigation, requested by Cabinet, of the Métis Addictions Council of Saskatchewan Inc. (MACSI) for the period April 1, 1998 to February 18, 2004. MACSI did not have adequate rules and procedures to appropriately safeguard and control the money it received from the Department during the above period. From June 2001 to February 18, 2004, MACSI spent public money inappropriately and imprudently. We also found that the Department's oversight processes were not adequate to ensure that MACSI properly protected all public money and spent it prudently and for intended purposes.

Health

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Introduction

The Department of Health's mandate is to protect and improve the health of Saskatchewan people. To do this, the Department provides policy direction, direct services, and funding to health providers and health agencies.

Government spending on health

For the year ended March 31, 2004, the Department received $2.5 billion from the General Revenue Fund for its programs. The Department also raised revenue of $18.3 million. The Department's annual report contains information about the Department's revenues and expenses (see http://www.health.gov.sk.ca/).

Table 1 shows total health revenues of $2.77 billion by source for the year ended March 31, 2004. Table 2 shows total health costs of $2.79 billion by program for the year ended March 31, 2004. The costs in Table 2 do not include health services paid directly by the Federal Government, nor the costs that individuals and private sector organizations pay directly for health services.

Crown agencies

The Department is responsible for the following Crown agencies.

Year-end March 31
12 Regional Health Authorities
Board of Governors, Uranium City Hospital
Health Quality Council
Saskatchewan Association of Health Organizations (SAHO)
Saskatchewan Cancer Foundation
Saskatchewan Health Information Network
Saskatchewan Health Research Foundation
St. Louis Alcoholism Rehabilitation Centre

Year-end December 31
SAHO Disability Income Plan – Canadian Union of Public Employees (C.U.P.E.) Fund.

SAHO Disability Income Plan – Service Employees International Union (S.E.I.U.) Fund.

SAHO Disability Income Plan – Saskatchewan Union of Nurses (S.U.N.) Fund.

SAHO Disability Income Plan – General Fund.

SAHO Core Dental Plan Fund.

SAHO In-Scope Extended Health/Enhanced Dental Fund.

SAHO Out-of-Scope Extended Health/Enhanced Dental Fund.

Table 1

Health **Revenues** by Source for the year ended March 31
(in millions of dollars)

	2004	2003	2002	2001	2000	1999	1998	1997	1996
General Revenue Fund	$ 2,516	$ 2,343	$ 2,200	$ 2,076	$ 1,956	$ 1,789	$ 1,677	$ 1,608	$ 1,555
Service fees revenue	121	113	110	109	99	97	99	95	94
Transfers from other governments	28	18	28	23	21	21	19	17	24
Ancillary revenue	26	22	20	18	17	16	15	15	15
Donations	15	18	15	17	12	16	15	9	12
Investment income	5	7	9	11	11	9	9	10	11
Other	59	69	43	38	43	55	28	42	26
Total revenues	$ 2,770	$ 2,590	$ 2,425	$ 2,292	$ 2,159	$ 2,003	$ 1,862	$ 1,796	$ 1,737

Table 2

Health **Costs** by Program* for the year ended March 31
(in millions of dollars)

	2004	2003	2002	2001	2000	1999	1998	1997	1996
Acute Services	$ 1,063	$ 963	$ 900	$ 824	$ 797	$ 683	$ 627	$ 592	$ 506
Supportive care services	554	512	507	482	447	417	389	387	415
Medical services and education	455	446	421	401	384	392	384	353	346
Community care services	277	305	276	252	235	218	205	189	225
Prescription drugs	194	173	156	141	128	115	98	94	93
Provincial health services	162	144	136	122	102	97	92	84	98
Central Support Services	46	23	21	16	32	22	22	23	18
Other	34	44	60	43	38	39	23	52	36
Total costs	$ 2,785**	$ 2,610	$ 2,477	$ 2,281	$ 2,163	$ 1,983	$ 1,840	$ 1,774	$ 1,737

Source: *Public Accounts: Volume 2: Details of Revenue and Expenditure* (see http://www.gov.sk.ca/finance/paccts) and the March 31, 2004 financial statements of the RHA Health Boards and other government health agencies.

* Health costs by program have been reclassified to conform with the Department of Health's current expense categories. Prior year numbers have been restated to conform with this new classification.

** The Government's summary financial statements (SFS) for the year ended March 31, 2004 show health costs of $2,730 million, a difference of $55 million from the total health costs in Table 2. This difference is due to: 1) differences in accounting policies for tangible capital assets and inventories; and 2) inter-entity expense eliminations and adjustments within the SFS not recorded in the health costs in Table 2.

Comparable health indicators report

On November 30, 2004, the Department plans to issue a report on 24 health indicators, entitled: *Saskatchewan Comparable Health Indicators Report 2004*. The Department published a similar report on 61 health indicators in 2002 (available at http://www.health.gov.sk.ca/). We audited the 2002 report. Our auditor's report on the reliability of the health indicators is included in the 2002 report. The 2004 indicators report will also include our auditor's report.

The indicators reports compare the performance of Saskatchewan's health system with those in other provinces. The Indicators Reports help readers to understand the effect of health services on the health and well-being of Saskatchewan residents. The indicators address, for example, the health status of citizens and the prevalence of certain diseases.

The Legislative Assembly and the public need to know that the Indicators Reports are reliable and comparable with other jurisdictions. We worked with all legislative auditors in Canada to ensure that we each provide consistent audit assurance based on professional standards.

Our audit conclusions and findings

We have completed the audits of the Department of Health and the Crown agencies listed earlier except for the audit of the Board of Governors, Uranium City Hospital (Board). The Board has not prepared financial statements for the year ended March 31, 2004. Accordingly, we have not completed our audit of the financial statements. We will report the results of this audit in a future report.

Our audit opinions below include the results of the Department and other agencies except for our audits of the 12 regional health authorities. These are reported in Part C – Regional Health Authorities of this chapter.

In addition, we describe the results of a special investigation requested by Cabinet in Part E – Métis Addictions Council of Saskatchewan Inc. of this chapter.

In our opinion, for the year ended March 31, 2004:

- **the financial statements for the agencies listed earlier are reliable;**
- **the Department and its agencies had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter; and**
- **the Department and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing except for the matters reported in this chapter.**

Supervisory controls need improvement

The Department needs to strengthen its supervisory controls over regional health authorities (RHAs) and other health agencies.

The Department must ensure that RHAs and other health agencies achieve the Department's objectives. To do this, the Department needs to supervise the performance of these agencies.

The Department's supervisory controls are not adequate in the following areas:

- accountability of regional health authorities to the Department; and
- control of capital assets.

Accountability of regional health authorities to the Department

The Department needs to receive regular reports from RHAs that show the RHAs' progress in achieving the Department's objectives.

The Department produces an annual *Accountability Document* in consultation with each RHA that contains:

- the RHA's annual budget;
- programs and services to be delivered by the RHA; and

- the measures (no targets yet) the RHA is to use to show its progress in achieving the Department's objectives.

The Department receives quarterly financial reports from each RHA that explain differences between planned and actual financial results. The Department does not yet receive regular reports from RHAs that show their progress in achieving the Department's operating objectives.

We reported this matter in previous years. In January 1999, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

We continue to recommend that the Department receive complete and timely information to ensure that the public money entrusted to RHAs is used properly.

Control of capital assets

Capital asset plan needed

The Department needs a capital asset plan to ensure it can deliver essential health services.

Capital assets include buildings and equipment. The Department is responsible for health care in the Province. It uses over $900 million of capital assets to deliver health care.

A capital asset plan would document decisions intended to ensure that the Department has the capital assets required to deliver its services effectively. A capital asset plan would help the Department select the capital assets that have the best value and keep them in good working order.

Without a capital asset plan, the Department cannot ensure that it has adequate capital assets to deliver essential health services.

We reported this matter in a previous report. In June 2004, PAC agreed with our recommendation.

We continue to recommend that the Department develop a capital asset plan to help ensure that it can carry out its strategic plan.

Capital project agreements need improvement

The Department needs to improve its capital project agreements with RHAs and other health agencies (health agencies) to help ensure that the Department can meet its objectives for capital construction.

The Department makes capital project agreements with health agencies to construct or renovate health facilities. The Department has signed agreements to spend $73 million on major capital construction projects. The health agencies spent $24 million of the Department's money on these projects for the year ended March 31, 2004.

The agreements should require health agencies to provide timely reports to the Department on:

- the status of the construction project at the date of the report (actual compared to plan for requirements, cost, and work completed, and explanations of differences between planned and actual results);
- what the health agency has accomplished since the last reporting period (actual compared to plan for cost and work completed, and explanations of differences between planned and actual results);
- the estimated time and cost to complete the construction project;
- the status of the expected benefits, whether the benefits are still achievable, and if not, the effects, if any, on the project plan; and
- the status of the construction project's risks, new risks, and how the risks are being managed. Reports would include explanations of any change in the status of key risks from the last reporting period and the reasons for the change in status.

Without this information, the Department cannot ensure that capital projects managed by health agencies meet the Department's objectives. As well, the agreements need to set out a process for the Department to verify that the health agencies' information is reliable.

We reported this matter in previous reports. In May 2001, PAC agreed with our recommendation.

We continue to recommend that the Department's capital construction agreements:

- require RHAs and other health agencies to provide the Department with adequate and timely performance information on capital construction projects; and
- describe the Department's process for verifying performance information.

Compliance with processes for drug payments needed

The Department needs to follow its processes for "exception drug status" (EDS) payments.

The Department has adequate rules and procedures for approving payments for drugs that are normally ineligible for payment. A drug that is normally ineligible for payment may become eligible if it proves to be more effective in treating a specific patient than the current eligible drug. EDS drugs are often more expensive than eligible drugs. The cost of the EDS Program has risen from $15 million in 1999 to $59 million in 2004.

Physicians, dentists, optometrists, and pharmacists may apply to the Department for EDS coverage on behalf of their patients. Applicants can send requests to the Department by telephone, mail, or fax. The Department's policy is to review the applications to ensure that they satisfy the criteria before approving the drug for EDS coverage. The EDS criteria include the qualifying diagnosis, the patient's medical history, and the ineffectiveness of the eligible drugs on the patient's condition.

The majority of requests for EDS coverage come from pharmacists. The Department requires pharmacists to document the physician's diagnosis and compliance with other eligibility criteria for each EDS coverage request.

Based on a 2001 study, the Department found that pharmacists often did not record the diagnosis or the source of the diagnosis. The Department paid for these EDS drugs. After the study, the Department wrote to pharmacists to remind them to document the eligibility information and the source of the information before applying for EDS coverage.

The Department followed up in 2002 to determine if pharmacists' documentation had improved. Results of that study indicated that for the majority of EDS requests (68%), pharmacists were documenting the diagnosis. The Department told us it recognizes that this information is critical to ensure the Department pays for only those drugs that meet EDS criteria. It will continue to communicate this requirement to pharmacists.

Lack of compliance with the Department's rules and procedures for EDS coverage could result in unauthorized and unnecessary drug payments. In addition, we are unable to determine whether all drug payments have adequate authority.

We reported this matter in a previous report. In June 2004, PAC agreed with our recommendation.

We continue to recommend that the Department ensure pharmacists follow its processes for "exception drug status" payments.

Capital assets costs overstated

The Department did not use Canadian generally accepted accounting principles to report its capital assets costs.

The Minister of Health made agreements with RHAs and other health agencies (agencies) for future construction of buildings to be done by the agencies. The agreements do not allow the Department to pay for construction until it is done. Nonetheless, the Department recorded costs of $27 million for capital construction not done. The Department did not give the agencies this money. As a result, the Department overstated its expenditures by $27 million.

The Department told us it was following the accounting policies laid out by the Provincial Comptroller.

In June 2004, PAC considered this matter and recommended "that the Department of Health should follow the accounting policies laid out by the Provincial Comptroller."

We continue to recommend that the Department of Health follow appropriate accounting policies for capital expenditures.

Board of Governors, Uranium City Hospital

On June 5, 1995, Cabinet established the Board of Governors, Uranium City Hospital (the Hospital). The Hospital ceased delivering health services on June 2, 2003. Cabinet has not yet dissolved the Board of Governors.

For the year ended March 31, 2003, the Hospital held assets of $700,000. As explained below, the hospital has not prepared financial statements for the year ended March 31, 2004.

In August 2004, the Minister of Health transferred the majority of the Hospital's remaining assets to the Athabasca Health Authority.

Financial statements not prepared

At the date of this report, the Hospital has not prepared financial statements for the year ended March 31, 2004.

The Tabling of Documents Act, 1991 requires the Hospital to give its financial statements to the Legislative Assembly by July 29, 2004. We reported this matter in previous reports. In February 2002, PAC considered this matter and agreed with our recommendation.

We continue to recommend that the Board of Governors, Uranium City Hospital give its financial statements to the Assembly by the date required by *The Tabling of Documents Act, 1991*.

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Financial performance of the health system

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Introduction

The Legislative Assembly and the public often ask about the state of the health system's finances. They want to know whether the health system's financial condition is growing stronger or weaker, and why. Also, many want to know where they can obtain the information required to help them make their own assessments.

A sound understanding of the health system's finances[1] is important to an informed debate about the issues facing the health system. Those issues pertain to the affordability of programs and services and the maintenance of Saskatchewan's health care infrastructure of buildings and equipment.

We report on six financial and economic measures. We modelled the measures after the research report, *Indicators of Government Financial Condition*, published by The Canadian Institute of Chartered Accountants. Each measure can and should be analyzed in detail, combined with other information, and monitored over time. Three of the measures relate to the regional health authorities (RHAs) because they incur most of the health costs.

Performance measures

The measures we report on include:

- total health spending as a percentage of the Province's GDP;
- total health spending as a percentage of the Government's total spending;
- change in health spending compared to change in the CPI and the Province's GDP;

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[1] We derived information on measures for the health system from the Government's statistical reports, the *Public Accounts 2003-2004: Volume 2: Details of Revenue and Expenditure*, and the annual financial statements of regional health authorities (RHAs) and other health agencies. The fiscal year-end for the Department, the RHAs, and other health agencies is March 31, except for SAHO, which is Dec 31. Because the Gross Domestic Product (GDP) and the Consumer Price Index (CPI) are not available for a fiscal year, we use GDP and CPI statistics for a calendar year in our analysis. For example, the GDP statistic in the 2004 column is for the year ended December 31, 2003. We have not adjusted the information for inflation.

- RHAs' operating surplus or deficit as a percentage of total RHA spending;
- RHAs' working capital ratio; and
- change in the RHAs' capital assets.

The health costs we refer to do not include Federal Government spending for Indian and northern health services or the costs that individuals and private sector organizations pay directly for health services.

These measures do not provide information on trends in the health status of the Province's residents or in the effectiveness of health services. The measures pertain only to the financial sustainability of the health system. However, the Department plans to publish a report called *Saskatchewan Comparable Health Indicators Report 2004* on November 30, 2004. This report will describe 24 health indicators the Department uses to assess trends in the health status of the Province's residents and the effectiveness of health services.

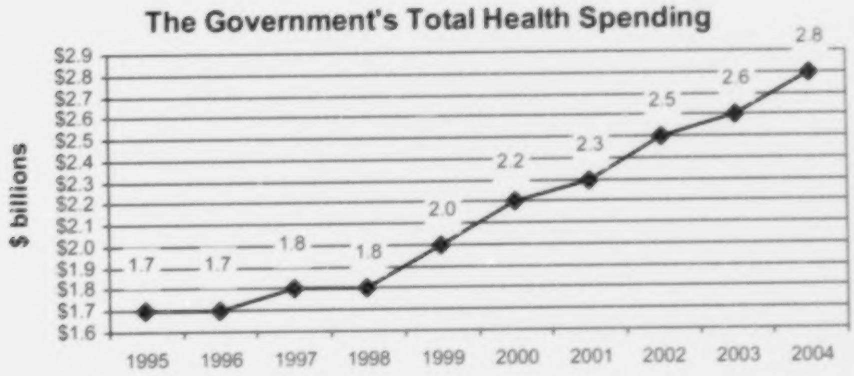
Total health spending as a percentage of the Province's Gross Domestic Product

The first performance measure of sustainability is the total health spending as a percentage of the Province's GDP.

The Province's GDP is a measure of the value of goods and services produced in Saskatchewan in one year. The GDP reflects the size of the provincial economy. If health spending grows faster than the GDP, the economy may not be able to support that level of health care spending unless the Government reduces spending on other programs or increases taxes.

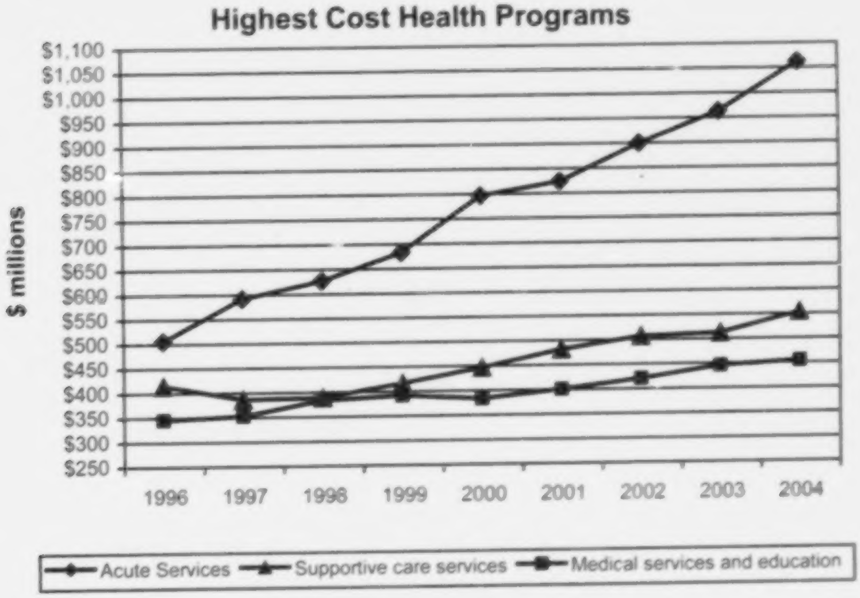
During the past eight years, the Government has increased health spending by 61% from $1.7 billion in 1995 to $2.8 billion in 2004 (see graph below). Over the same period, the Province's GDP increased by 48% from $24.7 billion in 1995 to $36.5 billion in 2004.

Graph 1



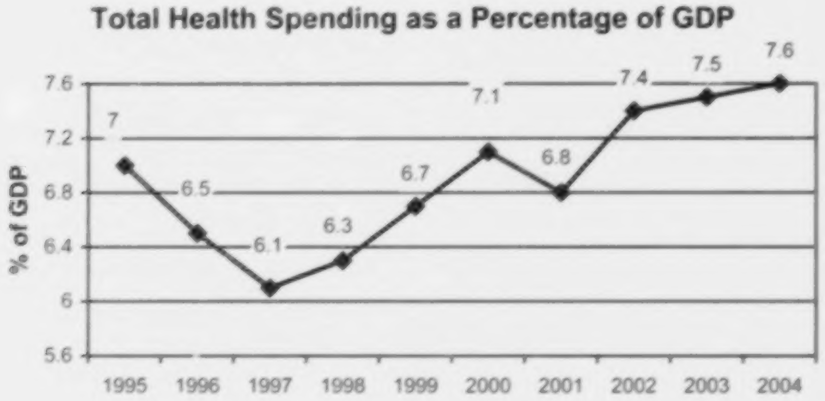
The following graph shows the three highest cost health programs. These programs are acute services (i.e., hospitals), supportive care services (i.e., nursing homes), and medical services (i.e., payments to doctors). Acute services costs more than doubled over the period from 1996 to 2004. The cost of the other two programs increased by less than 30% over the same period.

Graph 2



The following graph shows the trend in the total health spending as a percentage of the provincial GDP from 1995 to 2004. By comparing the total health spending to the Province's GDP, the reader can assess the financial demands placed on the economy by health spending.

Graph 3



This comparison shows that since 1997 health spending increased from 6.1% of GDP to 7.6% of GDP in 2004. If this trend continues, the economy may not be able to support the increasing levels of health care spending, unless the Government reduces spending on other programs or increases taxes.

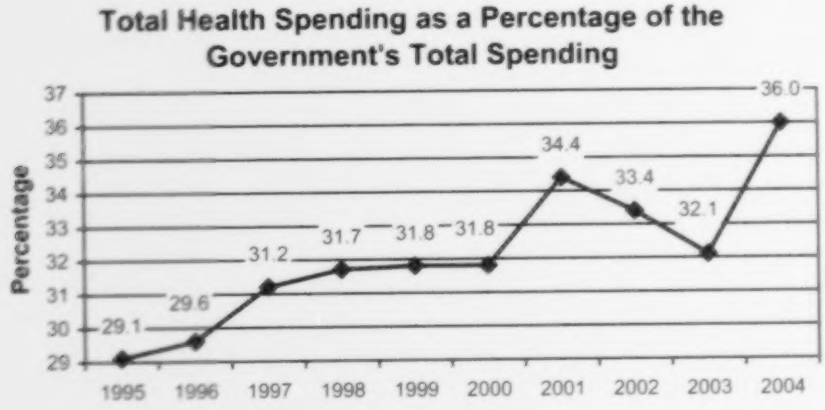
Total health spending as a percentage of the Government's total spending

The second performance measure of sustainability is the total health spending as a percentage of the Government's total spending.

This measure shows the impact that health spending has on spending required to deliver other government programs. The ability to spend a greater percentage on health each year may not be sustainable because of the need to provide other necessary government services.

The following graph shows the trend in health spending as a percentage of the Government's total spending from 1995 to 2004. By comparing health spending to the Government's total spending, we can assess the financial demands health spending places on the Government's total spending.

Graph 4



This comparison shows that from 1995 to 2004, health spending has increased from 29.1% to 36.0% of the Government's total spending. The upward trend in this graph suggests a decrease in sustainability because increasing demands for health care spending is reducing the Government's ability to maintain required spending on other vital programs.

Change in health spending compared to change in the CPI and the Province's GDP

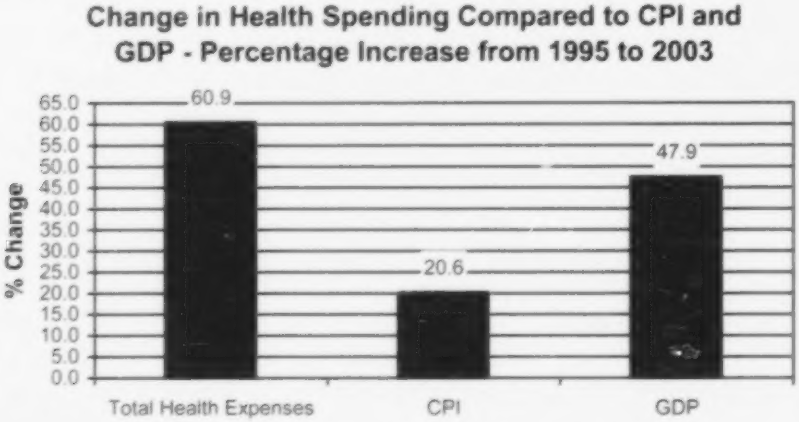
A third performance measure of sustainability is the change in health spending compared to the change in the Consumer Price Index (CPI) and the GDP.

Comparing the change in health spending to the change in the CPI indicates whether health spending has kept pace with inflation. If health spending increases are higher than the CPI, this could indicate an unsustainable trend because health spending is exceeding inflation.

Comparing the change in health spending to the change in GDP shows the rate that health spending changed to the rate that the provincial economy changed. If health spending increases are higher than the growth of the provincial economy, this could indicate an unsustainable trend.

The following graph shows health spending is growing faster than the provincial economy and faster than inflation. Because Saskatchewan's economy is vulnerable to changes in commodity prices, interest rates, and the weather, the increases in health spending in recent years may be unsustainable. A downturn in Saskatchewan's economy could require the Government to make difficult decisions on health spending.

Graph 5



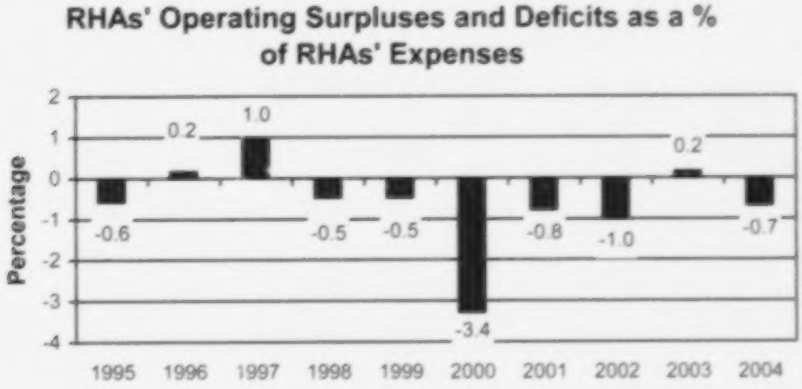
RHAs' annual operating surpluses and deficits as a percentage of total RHA spending

A fourth performance measure of sustainability is the RHAs' annual operating surplus or deficit as a percentage of total RHA spending.

The annual operating surplus (or deficit) shows the extent to which the RHAs have more (or less) operating revenue than operating expenses in a fiscal year. RHAs that are able to run an operating surplus are better able to sustain their capacity to maintain their programs over the long term.

The following graph shows that since 1995, the RHAs fluctuated between having small annual surpluses and deficits with the exception of a relatively large deficit in 2000. If this trend continues, the RHAs should be able to sustain their capacity to maintain their programs over the long term.

Graph 6



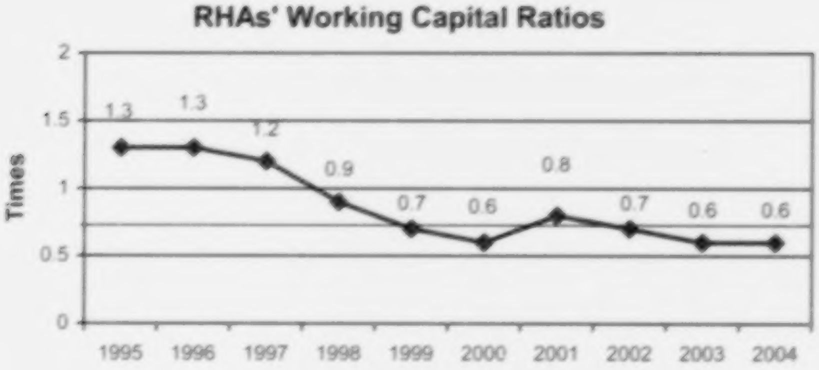
RHAs' working capital ratio

The fifth performance measure of sustainability is the RHAs' working capital ratio.

RHAs calculate the working capital ratio by dividing current assets by current liabilities. This ratio represents the RHAs' ability to pay employees and suppliers on time. Declines in current assets compared to current liabilities may impair an RHA's ability to maintain programs and services.

The following graph shows a downward trend in the RHAs' working capital ratio from 1995 to 2004. The ratio reflects the number of times that current assets exceed current liabilities. At March 31, 1995, the RHAs had an average working capital ratio of 1.3 (i.e., RHAs had 1.3 times more current assets than current liabilities). The average working capital ratio fell to 0.6 in 2004. This means that current liabilities exceed current assets, which could impair the RHAs' ability to pay salaries and other costs on time. If this downward trend continues, more RHAs may experience problems in meeting their current financial debts to suppliers or employees. They also may be unable to maintain existing programs and services.

Graph 7



Change in the RHAs' capital assets

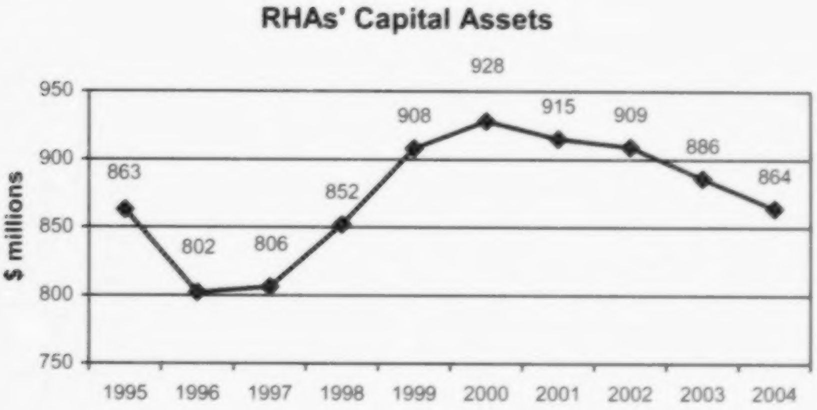
The final performance measure of sustainability is changes in capital assets owned by RHAs.

RHAs use $864 million of capital assets to deliver health services. Capital assets include property, buildings, and equipment. RHAs must properly maintain or replace their capital assets, or risk losing the assets' productive capacity. For example, if RHAs delay making necessary building renovations or replacements, the ultimate costs may be unsustainable. In addition, they face potential future costs to repair, renovate, or replace these assets. These costs may impair their ability to deliver needed services.

Governments and health experts encourage a shift of health services from institutions (e.g., hospitals, nursing homes) to services in the home and community. This shift is resulting in less need for new capital assets and to replace some existing assets.

The following graph shows a trend in total capital assets owned by RHAs. From 1995 to 2004, capital assets have remained fairly constant from $863 million to $864 million. This trend may indicate continued sustainability of the RHAs' services assuming they hold the right capital assets. As described in Part A of this chapter, the Department does not have a capital asset plan to ensure that the RHAs have the right capital assets to deliver health services effectively.

Graph 8



Summary

We encourage legislators and the public to use the above analysis to promote discussion and debate on the state of our health system's finances. We expect that in future years the Department will publish similar information on the financial targets and measures it uses to assess its financial performance. Such reporting would provide useful information on the Department's financial performance.

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Regional Health Authorities

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Introduction

On August 1, 2002, *The Regional Health Services Act* (the Act) created 12 regional health authorities (RHAs). The Act makes the RHAs responsible for the planning, organization, delivery, and evaluation of health services in their RHAs.

In 2004, the RHAs had revenues totalling $1.9 billion ($1.5 billion from the General Revenue Fund). They had a combined net loss of $30 million. At March 31, 2004, the RHAs held total assets of $1.1 billion. Each RHA's annual report, given to the Legislative Assembly, contains its financial statements. In addition, for the first time, all RHAs have provided the Legislative Assembly with a list of payments made to vendors and employees. We commend the RHAs for making this vital information public.

The RHAs and their appointed auditors are listed below. Our Office audits the Regina Qu'Appelle Regional Health Authority directly.

RHA	Appointed Auditor
Cypress	Stark & Marsh
Five Hills	Virtus Group LLP
Heartland	KPMG LLP
Kelsey Trail	Neumann & Neumann
Keewatin Yatthé	Meyers Norris Penny LLP
Mamawetan Churchill River	Deloitte & Touche LLP
Prairie North	Deloitte & Touche LLP
Prince Albert Parkland	Meyers Norris Penny LLP
Regina Qu'Appelle	N/A
Saskatoon	KPMG LLP
Sun Country	Meyers Norris Penny LLP
Sunrise	Parker Quine LLP

Our audit conclusions and findings

We carried out our audit responsibilities for 11 of the RHAs by working with the auditors hired by the RHAs. When we work with other auditors, we follow the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (see our web site at http://www.auditor.sk.ca).

In our opinion, for the year ended March 31, 2004:

- **the RHAs' financial statements are reliable except where we report otherwise in this chapter;**
- **the RHAs had adequate rules and procedures to safeguard public resources except where we report otherwise in this chapter; and**
- **the RHAs complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except where we report otherwise in this chapter.**

The RHAs' appointed auditors and our Office formed the opinions referred to above with the following exceptions.

- The reports of the appointed auditors of Sunrise, Sun Country, and Five Hills RHAs did not describe the overstatement of assets and revenues in the financial statements for these RHAs. This is explained later under *Preparing reliable financial statements.*
- The reports of the appointed auditors of the Heartland, Saskatoon, Sun Country, and Sunrise RHAs did not describe the need for the RHA's board of directors to receive regular reports on the RHA's performance. We describe this later under *Setting direction and monitoring performance.*
- The reports of the appointed auditor of the Saskatoon RHA did not describe the need to have an information technology (IT) disaster recovery plan. This is described later under *Information technology disaster recovery plan needed.* Also, the appointed auditor did not report the need for the RHA to have information technology policies and procedures based on a threat and risk assessment. This is described later under *Information technology policies and procedures needed.*

When we are unable to rely on the work and reports of appointed auditors, *The Provincial Auditor Act* requires us to do additional audit work. Our additional work consisted of determining the extent that the

RHAs overstated their assets and revenues, reviewing the RHAs' accountability reports and IT documentation, and discussing areas of concern with management.

In this chapter, we organize our audit findings and recommendations into four groupings. These groupings reflect important responsibilities of the boards of directors (Boards) in their role of overseeing their RHAs' operations. These are:

- setting direction and monitoring performance;
- safeguarding public resources;
- complying with the law; and
- ensuring adequate accountability to the Legislative Assembly and the public.

Setting direction and monitoring performance

All Boards need to improve how they set direction and monitor their RHAs' performance. To set direction and monitor performance, the Boards need to agree with management on:

- the RHAs' expected results (objectives);
- the key risks to achieving the objectives and how the risks are managed;
- the planned costs of achieving the objectives;
- the performance measures and targets to monitor progress in achieving the objectives; and
- the content of periodic reports to the Boards comparing actual results to plans.

The Boards have not fully developed systems to set direction and monitor performance. However, the RHAs are working with the Department of Health to help the Minister of Health provide direction and monitor the performance of all RHAs. This work should provide useful guidance to the Boards on the kinds of performance information they need to govern their RHAs.

The Boards need to continue their work in setting direction and monitoring performance. We recognize measuring and reporting on objectives and costs will take time and resources.

We reported this matter in previous reports. In June 2004, the Standing Committee on Public Accounts (PAC) agreed with our recommendations.

We continue to recommend that:

- the boards of directors of all Regional Health Authorities define the Regional Health Authorities' objectives and the measures and targets needed to monitor progress in achieving the objectives; and
- the Regional Health Authorities' internal reports to the boards of directors compare actual performance to planned performance.

Written policies and procedures required

Two RHAs did not have adequate, up-to-date written policies and procedures to achieve their objectives and safeguard public resources.

Written policies and procedures provide for the orderly and efficient conduct of business. They also reinforce the Boards' delegation of authority and the responsibilities of all employees. Written policies and procedures help reduce the risk of errors, fraud, breakdowns in control, and unauthorized transactions.

Regina Qu'Appelle and Kelsey Trail did not have adequate written financial management policies covering, for example, budgeting, monthly financial reporting, and year-end procedures. The RHAs have begun to set and document these policies.

We reported this matter in previous reports. In June 2004, PAC agreed with our recommendation.

We continue to recommend that the Regina Qu'Appelle and Kelsey Trail Regional Health Authorities establish complete written financial management policies, such as budgeting, reporting, projections and revisions to plans, as well as general accounting procedures.

Safeguarding public resources

Boards of agencies need to ensure that management has established adequate processes to safeguard public resources. We note the following instances where processes were not adequate to safeguard public resources.

Financial controls needs to be followed

Mamawetan Churchill River needs to follow its processes to control its bank account to make payments to vendors.

Mamawetan paid more than $14 million from its bank account during the year. Management did not always approve the monthly bank reconciliations that staff prepare. Reconciling the recorded bank balance to the bank's records provides a check on the accuracy and reliability of accounting records. Management approval ensures that all changes to the recorded bank balance are authorized.

Management did not adequately follow its control processes for purchasing goods and services. Management did not consistently prepare or approve purchase orders for goods and services. As a result, Mamawetan may have paid for unauthorized goods and services.

1. **We recommend that the Mamawetan Churchill River Regional Health Authority follow its processes for controlling its bank account and for making payments to vendors.**

Capital asset records needed

Two RHAs need better processes to safeguard their capital equipment.

The RHAs use a lot of equipment to provide health services to their residents. To safeguard their equipment, the RHAs should periodically count their equipment and agree the counts to the equipment accounting records. This would help to ensure the records are accurate and complete, and the equipment exists.

Regina Qu'Appelle and Sun Country did not count their equipment. As a result, these RHAs did not know if all their equipment exists and is properly safeguarded. This could also cause them to make poor decisions for equipment purchases and disposals.

We reported this matter in previous reports. In June 2004, PAC agreed with our recommendation.

We continue to recommend that the Regina Qu'Appelle and Sun Country ensure their equipment is safeguarded.

Disaster recovery plan needed

Five RHAs need written, tested, and approved information technology (IT) disaster recovery plans to ensure they can continue to deliver their programs and services if their critical IT systems are not available. The plans should be based on a risk assessment that includes a prioritization of key programs and systems.

Although Kelsey Trail, Mamawetan, Prairie North, Saskatoon and Sun Country have processes to back up their systems and data, they have not formalized their processes in a written, tested, and approved IT disaster recovery plan.

An IT disaster recovery plan should:

- set out the responsibilities of those who are to implement the plan;
- include emergency procedures to be used while the system is unavailable;
- include steps for the recovery and restoration of the system;
- have documentation of program processes and procedures; and
- be regularly tested and updated.

We also reported this matter in previous reports to the Legislative Assembly. In June 2004, PAC agreed with our recommendation.

We continue to recommend that the Kelsey Trail, Mamawetan, Prairie North, Saskatoon, and Sun Country prepare information technology disaster recovery plans.

Information technology policies and procedures needed

Four RHAs need to establish information technology (IT) policies and procedures (processes) to ensure the confidentiality, integrity, and availability of information systems and data. Keewatin Yatthé needs to follow its established IT processes.

Cypress, Kelsey Trail, Mamawetan Churchill River, and Saskatoon need IT processes that ensure vital information is protected, accurate, complete, authorized, and available. The RHAs should base their IT processes on a formal threat and risk analysis. A threat and risk analysis would allow management to identify the processes they need to protect systems and data. For example, the IT processes should identify who is responsible for the security of systems and data, define how access to systems is granted or removed, and clearly identify the rules that staff need to follow. The RHAs also need to define how they will monitor compliance with IT processes and address weaknesses.

Also, the RHAs do not have adequate security awareness plans. Such plans reduce the possibility that staff could unintentionally create security risks that result in losses or disclosure of data. Awareness training would help ensure staff are aware of security policies, security risks, and privacy issues.

Keewatin Yatthé has adequate IT policies, but does not adequately follow them.

Without established IT processes, the RHAs risk unauthorized disclosure of confidential information, reliance on incomplete and inaccurate information, and loss of vital information.

2. **We recommend that the Cypress, Kelsey Trail, Mamawetan Churchill River, and Saskatoon Regional Health Authorities establish information technology policies and procedures that are based on a threat and risk analysis.**

3. **We recommend that the Keewatin Yatthé Regional Health Authority follow its established information technology policies and procedures.**

Adequate service agreement with affiliates required

Sun Country's agreements with its affiliates are not adequate to ensure they achieve Sun Country's financial, operational, and compliance with the law objectives.

Sun Country carries out some of its services through its affiliates (i.e., a privately-owned hospital and nursing homes).

Sun Country's service agreements are adequate except they do not require the affiliates to provide the following reports:

- reports on the processes that the affiliates use to safeguard public money;
- reports on the affiliates' compliance with legislative and related authorities; and
- reports on the affiliates' progress in achieving Sun Country's objectives.

In addition, these reports should be verified by the affiliates' external auditors or by Sun Country itself.

As a result of inadequate agreements, Sun Country cannot ensure that the affiliates are achieving its objectives.

4. **The Sun Country Regional Health Authority should strengthen its agreements with its affiliates to ensure they achieve the Authority's objectives.**

Complying with the law

Boards of agencies need to ensure that management has complied with legislative and related authorities including key agreements.

We note the following instance where the RHAs did not comply with the law and other authorities.

Compliance with The Housing and Special Care Homes Regulations needed

Two RHAs did not comply with *The Housing and Special Care Homes Regulations* regarding the safekeeping of patients' money.

Section 3 of *The Housing and Special Care Homes Regulations* requires RHAs to deposit patients' money held for safekeeping in a bank. Heartland and Sun Country did not always comply with this regulation. Depositing the cash in a bank reduces the risk of loss of patients' money due to error or theft.

We reported this matter in previous reports. In June 2004, PAC agreed with our recommendation.

We continue to recommend that Heartland and Sun Country comply with *The Housing and Special Care Homes Regulations* when holding patients' money.

Ensuring adequate accountability to the Legislative Assembly and the public

Annual reports

All RHAs need to improve their annual reports to help the Legislative Assembly and the public to assess the RHAs' progress in achieving their plans.

We examined each RHA's annual report for the year ended March 31, 2004. We used the reporting principles and guidelines set out in the Department of Finance's *Public Performance Reporting Guidelines, April 2003* to assess the annual report.

All RHAs have made improvements to their annual reports. The annual reports set out each RHA's goals and provide information on services provided to residents in the region. Also, the reports are starting to describe the RHAs' objectives and performance measures.

The RHAs need to continue to strengthen their annual reports. The reports do not provide adequate information to enable the Assembly and the public to assess the RHAs' performance. The annual reports do not adequately describe the RHAs' objectives, their key risks in achieving their objectives, or their performance measures to monitor progress in achieving the objectives.

The Department of Health is providing direction that should help the RHAs improve their accountability to the Assembly and the public. The Department:

- published its long-term goals and objectives;
- developed performance measures that RHAs must use to assess their progress in achieving the Department's objectives;
- approved each RHA's long-term plan; and
- is working with the RHAs to develop guidelines for regular performance reporting to the Minister of Health.

The above direction should provide useful guidance to the RHAs for preparing their annual reports.

We reported this matter in previous reports. In June 2004, PAC agreed with our recommendation.

We continue to recommend that all the Regional Health Authorities' annual reports include:

- objectives, performance measures and actual results compared to plans; and
- risks to achieving its objectives and how the risks are managed.

Preparing reliable financial statements

In our opinion, the financial statements of three RHAs for the year ended March 31, 2004 are reliable except for the overstatement of the RHAs' assets and revenue from the General Revenue Fund (GRF) in the following amounts:

($millions)	Revenue		Assets	
	2004	2003	2004	2003
Five Hills	$ 1.2	$ 1.8	$ 3.0	$ 1.8
Sun Country	5.4	6.0	6.6	6.0
Sunrise	4.9	2.1	5.8	2.1

The Minister of Health made agreements with the RHAs for future capital construction to be carried out by the RHAs. The Department directed the RHAs to record the above amounts as construction revenue from the GRF even though the RHAs had not done the construction entitling them to the money. In addition, the Department had not paid the RHAs the money at March 31, 2004. The Department told us it was following the accounting policies laid out by the Provincial Comptroller.

Canadian generally accepted accounting principles (GAAP) do not permit the RHAs to record revenue until they become entitled to the money, i.e., carry out the construction.

The recording of the construction revenue before incurring the construction costs is not in accordance with GAAP. As a result, the RHAs overstated their revenue and assets by the amounts noted above.

We reported this matter in previous reports. In June 2004, PAC recommended: "That the Department of Health should follow the accounting policies laid out by the Provincial Comptroller".

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Reducing injuries to care staff—a follow-up

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Our follow-up of recommendations to reduce injuries

In 2003, 7.2% of Saskatchewan's health sector workers had injuries that resulted in time away from work (up from 5.7% in 1999[1]). Back and shoulder injuries are common. Employers are legally responsible for workplace safety. Individual workers also must do their part to keep themselves, their co-workers, and their patients safe.

In 2002, we assessed whether the two largest regional health authorities adequately used best practices to reduce work-related back and shoulder injuries to care staff. The best practices are set out in Figure 2 at the end of this section of Chapter 2. We reported the objective, findings, and recommendations for that audit in our 2003 Report – Volume 1, Chapter 2, pp. 29-48.

The Standing Committee on Public Accounts concurred with our recommendations on June 29, 2004. This follow-up is part of our ongoing monitoring to determine what action management takes to address our recommendations. Acting on these recommendations will help build a base for a culture of safety in the health sector.

To do our follow-up, we reviewed annual reports, performance plans, and a wide range of material provided by two RHAs, the Department of Health, and the Department of Labour. We also interviewed key staff at the Regina Qu'Appelle Regional Health Authority and the Saskatoon Regional Health Authority to verify our understanding of action taken up to October 30, 2004.

We organized this follow-up report in line with our recommendations. Each section below starts with the recommendation in italics. We summarize our findings at the end of this follow-up report.

Recommend board commitment to reduce injuries

We recommend that boards commit to workplace safety as a priority. Specifically, we recommend that the boards set specific, short-term targets, allocate resources, receive regular reports, and hold senior managers accountable to reduce injuries.

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[1] Saskatchewan Workers' Compensation Board. (2003). *Report to Stakeholders*, p. 16.

Set specific targets to reduce work-related injuries to care staff in the short-term

We recommended short-term targets because the law requires employers to provide a safe workplace and methods that reduce injuries are well known. Short-term targets should be achievable in less than three years or by 2006. We expected targets both for RHAs and high-risk units.

The Saskatoon Regional Health Authority set a target to reduce workplace injuries by 10%. The target is to be achieved after the RHA fully implements its transfer-lift-reposition program; no date has been set. The RHA also set specific targets for its highest risk facility.

The Regina Qu'Appelle Regional Health Authority has set no targets to reduce workplace injuries. A committee of the board will discuss a possible target in mid November 2004.

The Department of Health did not set a target to reduce workplace injuries in the health sector. However, in September 2004, the Department gave RHA board chairpersons comparable information about injuries that result in time away from work. This information should help RHAs to set achievable short-term targets to reduce injuries in the workplace.

The Department of Labour and the Workers' Compensation Board (WCB) through WorkSafe Saskatchewan initiatives target a 20% reduction in time-loss injuries by 2008 in health and other sectors. Labour also has a specific plan of actions it will take to help achieve the target. We commend this leadership.

Allocate resources to achieve the targets

We expected the boards of RHAs to allocate resources to reduce workplace injuries. For example, the boards could allocate resources to mechanical aids such as patient-lifts and to staffing patterns known to help reduce injuries.

The Department of Health set aside $6 million in 2004-05 for capital equipment related to safety for staff and patients. The boards of both Saskatoon and Regina Qu'Appelle allocated some resources for equipment to reduce injuries. Both also allocate resources to educate staff about safety in the workplace.

Both RHAs now budget for a few full-time relief positions to maintain baseline staffing in spite of illness or other absences. Both RHAs now have information systems that will enable further research into staffing patterns. Saskatoon also employs a full-time labour costs project manager to lead initiatives that will reduce labour-related costs such as workplace injuries.

Resource allocation should be aligned with priority targets. Until the boards set specific, time-limited targets, it is difficult for managers to know what resources should be allocated.

Receive frequent reports about injury rates and actions to reduce injuries

The boards of these two large RHAs do not receive regular reports about injuries. The Saskatoon board received no routine reports about injuries during April 2003 to October 2004. Five months after year-end, the Regina Qu'Appelle board received a report about injuries in 2003-04. That report shows injuries requiring medical attention are up by 24% and time-loss injury claims are up by 10.5%. This important information should have reached the board in time to allow a rapid and comprehensive response.

Further, there are still no regular reports to the most senior managers about injury rates (e.g., vice-president, chief executive officer). Since mid 2003, Saskatoon provides good summary reports to all department and general managers quarterly. Regina Qu'Appelle provides a detailed report of injuries by department and by each site in Regina, with no analysis or summary, to department managers. Executive Directors can request these detailed monthly reports. Up to November 2004, neither RHA provided regular reports about injuries to their most senior managers.

Both RHAs worked with the Department of Health to develop key indicators. One key indicator will be the frequency of time-loss injury claims. The RHAs plan to report the key indicators to senior managers, boards, and the Department. Timely reports of these indicators could help

RHAs to monitor risks related to injuries. Saskatoon plans to begin giving quarterly reports to senior managers and the board in December 2004.

Hold senior managers accountable to reduce injuries

Both RHAs have systems to hold managers accountable to the extent possible without specific targets. Regina Qu'Appelle has one safety-related item in the checklist that it uses to review the performance of out-of-scope managers. Managers must show competence with regard to "safety measures."

Saskatoon has a manager's accountability agreement that refers to safety. In addition, the RHA's performance-review system for out-of-scope managers integrates safety in three ways. The RHA evaluates managers on leadership in creating safe working conditions, fiscal prudence with respect to sick leave and workers' compensation payments, and sound human resource management including timely resolution of safety issues and reduced injuries.

Recommend staffing to reduce injuries

We recommend that regional health authorities analyze the unit staffing patterns that are associated with high and low injury rates, and implement the lessons learned.

Both RHAs have taken steps to help them assess the impact of staffing patterns on injuries. Regina Qu'Appelle's Attendance Support Program helps it to manage workload and overtime issues. The RHA's incident report form helps identify whether incidents relate to staffing shortages, staff mix, etc.

Saskatoon was experimenting with various staffing practices at the time of our 2002 audit. Now the RHA is participating, along with Calgary and Edmonton, in a major research project. The project will correlate a number of nursing practice variables including workload levels and workers' compensation claims.

Recommend active occupational health committees to reduce injuries

We recommend that the occupational health committees of regional health authorities monitor injury trends quarterly, analyze causes, and make written recommendations to senior managers and their board to fix unresolved causes of injuries.

The Department of Labour assists occupational health committees in their work. Labour told us they are increasing their inspections in the health sector by at least 50%. Labour will base the frequency and intensity of inspections on injury rates. Labour is also promoting the collection of injury data in facilities and units with high injury levels.

Monitor injury trends at least quarterly

Since early 2003, the committees of the Saskatoon RHA monitor injury trends and identify areas for focus. Every three months, the committees receive summary analysis of injuries, their causes, and actions taken, in addition to the committee's inspection reports. Committee members contact managers to help resolve concerns.

Regina Qu'Appelle's committees receive a monthly list of all injuries by location. The RHA does not yet provide regular, summary analysis or comparative reports to occupational health committees.

Analyze the causes of injuries in areas with high injury rates

Saskatoon identified Parkridge as a facility with high injury rates. The RHA sets targets for each unit in the facility and provides managers with monthly reports showing number of injuries compared to the target and prior injuries by month. The reports provide an immediate alert to managers and the committee if the number of injuries begins to rise. In combination with other reports summarizing the common causes of injuries by unit, managers have useful information for focused injury prevention.

Regina Qu'Appelle has not identified specific high-risk units. We saw no evidence that committees in the RHA analyzed or gave more attention to units with higher rates of workplace injuries.

We note that in both RHAs, managers and the committees receive reports on the *number* of injuries. We continue to recommend that committees also monitor areas with a high injury *rate* to ensure their focus is on the correct areas.

Make written recommendations to senior management and their board to fix unresolved causes of injuries.

As yet, neither RHA routinely reports unresolved causes of injuries to senior managers and the board. The committees in these large RHAs do not submit regular written reports to the most senior managers or the board. Such reports could highlight serious causes of injury that are not resolved (e.g., lack of electric beds or ceiling tracks, combined staff shortage and failure to use lift equipment). The most senior managers and the boards need this information to support decisions.

The Occupational Health and Safety Regulations require that when time-loss injuries result in medical aid or are due to moving patients, employers must allow committees to review such injuries and make recommendations to avoid similar injuries. At present, the committees recommend changes to unit supervisors, not to senior managers. The committees in Saskatoon occasionally write to a senior vice-president about unresolved issues that should be addressed.

The committees do not yet analyze causes of injuries from an oversight perspective. An overview of causes of injuries would help the committees recommend to senior managers actions that would reduce injuries by addressing fundamental causes. The Occupational Health and Safety Regulations require employers to act on recommendations from occupational health committees or provide written reasons for not doing so.

Summary

Figure 1 below sets out a summary of areas where managers took action and where they did not. A "yes" in Figure 1 means that managers have taken reasonable action at this time, 18 months after the recommendations became public.

We recognize that it takes longer to fully resolve some of these challenges. We will continue to follow up these recommendations at intervals.

Figure 1—Action on recommendations up to October 30, 2004

Recommendations (March 2003)	Saskatoon	Regina Qu'Appelle
1. Boards commit to workplace safety as a priority		
- set specific targets to reduce injuries in the short-term (for regions and high risk areas)	Yes	No
- allocate resources to achieve targets	Yes	Partial
- receive frequent reports about injury rates and action to reduce injuries	No	No
- hold senior managers accountable	Yes	Partial
2. Regions analyze staffing patterns associated with high and low injury rates and implement lessons learned	Partial	Partial
3. Occupational Health Committees		
- monitor trends quarterly	Yes	No
- analyze causes of injuries in areas with high injury rates	Yes	No
- make written recommendations to senior management and the board to fix unresolved causes of injury	Partial	No

Figure 2 sets out the original audit criteria for the consideration of health sector managers and those responsible to govern them.

Figure 2—Best practices

To demonstrate adequate use of best practices to reduce the prevalence of work-related back and shoulder injuries to care staff, health authorities should:

- Provide a work environment that fosters safety and health
  - provide a written program of procedures for moving patients,
  - provide mechanical aids to reduce the risk of injury,
  - provide staffing patterns that support injury reduction, and
  - redesign hazardous tasks and work-areas.
- Educate care staff to reduce risk of injury
  - inform staff of risks and signs and symptoms of injury,
  - teach staff to eliminate hazards or avoid unnecessary risk, and
  - promote actions that minimize risk of back and shoulder injury.
- Show commitment to reduce the prevalence of injuries
  - emphasize safety and injury prevention in the workplace,
  - support injured care staff for a safe/early return to work,
  - monitor compliance with established policies, and
  - monitor agency-wide trends of hazards/incidents/injuries.

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Métis Addictions Council of Saskatchewan Inc.—Special Investigation

2E

Special Report to the
Lieutenant Governor in Council

Regarding
Métis Addictions Council of
Saskatchewan Inc.

October 2004

SASKATCHEWAN

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October 15, 2004

Her Honour
The Honourable Dr. Lynda M. Haverstock, S.O.M.
Lieutenant Governor of Saskatchewan
Government House
4607 Dewdney Avenue
REGINA, SK S4P 3V7

Your Honour:

I have the honour to submit herewith my report on the special assignment requested by Order in Council 111/2004.

Respectfully submitted,

Fred Wendel, CMA, CA
Provincial Auditor

MH/dd

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Main points

The Métis Addictions Council of Saskatchewan Inc. (MACSI) provides addictions services on behalf of Saskatchewan Health (Department).

In March 2004, Cabinet asked our Office to do a special assignment to determine whether:

a. money paid to MACSI by the Minister of Health during the period April 1, 1998 to February 18, 2004 has been used appropriately, fully accounted for, and properly disposed of in accordance with the terms and conditions of the funding agreements; and

b. MACSI maintained essential records and rules and procedures to appropriately safeguard and control the money it received from the Minister of Health.

During this period, we also assessed whether the Department used sound oversight processes to ensure that MACSI properly protected public money and spent it prudently and for intended purposes. We also considered if the Department took prompt and appropriate action to remedy any significant problems it knew, or should have known, about MACSI's operations.

We found that money paid to MACSI by the Minister of Health during the period June 2001 to February 18, 2004 was not used appropriately, was not fully accounted for, and was not properly disposed of in accordance with the terms and conditions of the funding agreements. For the period April 1, 1998 to May 2001, we did not find inappropriate use of public money by MACSI or instances where MACSI did not fully account for or properly dispose of money received from the Minister of Health.

MACSI did not maintain essential records and rules and procedures to appropriately safeguard and control the money it received from the Minister of Health during the period April 1, 1998 to February 18, 2004.

In June 2001, the newly appointed Board took cheque-signing authority away from management and gave it to the Board Chair and the three other executive board members (Executive Committee). In August 2001, the new Board gave the Executive Committee the authority to perform management duties. From then until February 18, 2004 (i.e., date the Department replaced the Board) the Members of the Executive Committee spent public money inappropriately and imprudently. For example, they spent a lot of money for goods and services not received by MACSI.

We found that the Department's oversight processes were not adequate to ensure that MACSI properly protected all public money and spent it prudently and for intended purposes. The Department needs to strengthen its processes to keep informed on MACSI's operations and any significant problems at MACSI. In recent months, the Department has improved its processes to oversee MACSI.

The Department took prompt and appropriate action to remedy the problems it knew about MACSI's operations for the period April 1, 2003 to February 18, 2004 including replacing MACSI's board of directors.

The Department did not always take prompt and appropriate action to remedy all significant problems it knew, or should have known, about MACSI's operations during the period April 1, 1998 to March 31, 2003. This has resulted in a deficiency or loss to the Crown through the misuse of money provided by the Department.

Our report contains many recommendations to strengthen governance practices at MACSI and improve the Department's supervision of MACSI.

We understand that MACSI's management and staff have continued to provide needed services in spite of the lack of governance and the misuse of public money described in this report. Department officials and independent addictions experts told us that MACSI provides a valuable service for Métis and First Nations peoples.

Introduction

The Métis Addictions Council of Saskatchewan Inc. (MACSI) was established in 1969 (originally called the Native Alcoholism Council). MACSI provides alcohol and drug recovery, reintegration, and healing programs to about 1,300 clients annually. While MACSI's mission is to serve Métis and off-reserve Indian peoples, its services are available to all citizens of Saskatchewan. MACSI has treatment centres in Regina, Saskatoon, and Prince Albert. The treatment centres are referred to as the Regina House, Saskatoon House, and Prince Albert House.

MACSI also runs a Community Residential Facility (i.e., a halfway house) in Prince Albert for Correctional Service Canada. This service includes room and board, counselling, and supervision for offenders who are on day parole.

For the year ended March 31, 2004, MACSI received $2.4 million from the Department of Health and $0.3 million from the Government of Canada. Appendix 2, at the end of this report, shows MACSI's spending of the Department's money for the years ended March 31, 1999 to March 31, 2003 (the most current audited information available).

MACSI is incorporated under *The Non-profit Corporations Act, 1995.* MACSI is not a crown agency as defined in *The Provincial Auditor Act*, and accordingly is not subject to an audit by our Office. We have accepted a special assignment to audit MACSI as requested by Order in Council 111/2004 (see Appendix 1).

Background

During 2003, the Department received several complaints alleging harassment, unfair labour practices, and misuse of public money at MACSI. In June 2003, a Member of the Legislative Assembly asked the Minister of Health to explain the apparent misspending of public money and the mismanagement taking place at MACSI.

In response to these complaints, the Department reviewed the governance, finances, and operations of MACSI. The review revealed serious deficiencies in governance and financial control processes. The review also indicated unauthorized transactions and apparent allegations of misuse of public money.

As described later in this report, on February 18, 2004, the Department replaced MACSI's board. In March 2004, the Department hired Kalesnikoff, Kingdon & Associates, a forensic accounting firm, to undertake a forensic audit for the period April 1, 1998 to February 18, 2004. The Department also asked Cabinet to request our Office to perform a special assignment as described below.

Our audit objectives

On March 3, 2004, Cabinet, through Order in Council 111/2004, asked our Office to undertake a special assignment to determine whether:

a. money paid to MACSI by the Minister of Health during the period April 1, 1998 to February 18, 2004 has been used appropriately, fully accounted for, and properly disposed of in accordance with the terms and conditions of the funding agreements; and

b. MACSI maintained essential records and rules and procedures to appropriately safeguard and control the money it received from the Minister of Health.

During this period, we also assessed whether the Department used sound oversight processes to ensure that MACSI properly protected public money and spent it prudently and for intended purposes. In addition, we determined whether the Department took prompt and appropriate action to remedy any significant problems it knew, or should have known, about MACSI's operations.

Our audit conclusions and findings

In performing the audit of MACSI, our Office worked with Kalesnikoff, Kingdon & Associates (KKA), forensic accountants, using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our web site at http://www.auditor.sk.ca/rrd.html).

KKA issued its forensic audit report to the Minister of Health on September 15, 2004. The Minister of Health announced publicly on September 1, 2004 that, based on KKA's preliminary report, the RCMP has started investigating the activities of MACSI.

In our Office's opinion:

- **The money paid to MACSI by the Minister of Health during the period June 2001 to February 18, 2004 was not used appropriately, was not fully accounted for, and was not properly disposed of in accordance with the terms and conditions of the funding agreements.**

  For the period April 1, 1998 to May 2001, we did not find inappropriate use of public money by MACSI or instances where MACSI did not fully account for or properly dispose of money received from the Minister of Health.

- **MACSI did not maintain essential records and rules and procedures to appropriately safeguard and control the money it received from the Minister of Health during the period April 1, 1998 to February 18, 2004.**

- **The Department did not use sound oversight processes to ensure that MACSI properly protected all public money and spent it prudently and for the purposes for which it was provided during the period April 1, 1998 to February 18, 2004.**

- **The Department did not consistently take prompt and appropriate action to remedy significant problems it knew, or should have known, about MACSI's operations during the period April 1, 1998 to March 31, 2003.**

- **The Department took prompt and appropriate action to remedy the problems it knew about MACSI's operations during the period April 1, 2003 to February 18, 2004 including replacing the Board of Directors.**

We describe the results of our audit in two parts. The first part covers our special assignment for MACSI. The second part describes our audit of the Department's supervision of MACSI.

Part I – MACSI special assignment—findings

Lack of control by Board of Directors

The Métis Nation of Saskatchewan (MNS) owns and controls MACSI. During the period covered by our audit, a 17-member board of directors (Board), appointed by MNS, governed MACSI. The Chair of the Board was also the Minister of Health for MNS.

A sound system of control creates an environment where errors or fraud are either less likely to occur, or if they occur, are more likely to be detected. A board of directors is a critical element of control in managing the business of an organization. A board provides independent oversight on the conduct of business and monitors management's performance in achieving the organization's objectives. Through planning and overseeing business activities, a board reduces the risk of errors or fraud.

Agencies that receive public money have a special duty to spend that money with due care. MACSI's Board had inadequate processes to oversee MACSI. This lack of Board oversight allowed unauthorized, inappropriate, and imprudent spending to occur as described later.

MACSI's Board did not approve written policies setting out:

- the scope of the Board's authority and responsibilities;
- the scope of the chief executive officer's (i.e., executive director) authority and responsibilities;
- the board's directives to, or performance standards for, the executive director.

The Board did not have a long-term strategic plan or an annual business and financial plan for MACSI. As a result, the Board did not set direction for MACSI (i.e., goals, objectives) or decide how to assess management's progress in achieving the Board's objectives (i.e., performance measures and targets).

The Board did not set codes of conduct and conflict-of-interest policies for Board members and staff. Such policies help to ensure that the behaviour of Board members and staff is guided by the principles of integrity, objectivity, and accountability. Use of codes of conduct and conflict-of-interest policies may have reduced the misuse of public money described later in this report.

The Board did not provide training for its members to ensure they understood their roles and responsibilities and were effective in directing MACSI. In addition, the Board did not periodically assess its own performance.

The Board did not ensure management had adequate written rules and procedures so that it could adequately manage and control MACSI. Such rules and procedures provide for the orderly and efficient conduct of business and safeguard public money. They help to:

- ensure the board receives timely and reliable financial and operational reports for monitoring and decision-making;
- ensure adequate segregation of functions so no individual board member or staff can both initiate and authorize a transaction;
- ensure goods and services purchased are:
    - authorized and appropriate;
    - received and used for proper business purposes;
    - physically secured; and
    - based on fair and just prices; and
- reduce the risk of errors, fraud, breakdowns in control, and unauthorized transactions.

Effective boards of directors insure their agency against theft or fraud committed by staff who sign cheques and contracts on behalf of the agency (e.g., by bonding staff). The MACSI Board did not bond its directors and managers who it authorized to sign cheques and contracts. As a result, MACSI may not be able to recover the misspent public money described later in this report.

As we describe later, the lack of effective governance at MACSI resulted in the misuse of public money.

1. We recommend that the Board of Directors of the Métis Addictions Council of Saskatchewan Inc. (Board) clearly define the scope of its authority and responsibilities.

2. We recommend that the Board define the authority and responsibilities of, and performance standards for, senior management.

3. We recommend that the Board establish a long-term strategic plan and annual business and financial plans for the Métis Addictions Council of Saskatchewan Inc.

4. We recommend that the Board approve a code of conduct and conflict-of-interest policies for board members and staff, and monitor compliance.

5. We recommend that the Board provide governance training for its members.

6. We recommend that the Board periodically assess its own performance.

7. We recommend that the Board establish and approve written rules and procedures to safeguard public money. These rules and procedures should be designed to:
   - ensure the board receives timely and reliable financial and operational reports for monitoring and decision-making;
   - ensure adequate segregation of duties so that no individual board member or staff can both initiate and authorize a transaction;
   - ensure goods and services purchased are:
     - authorized and appropriate;
     - received and used for proper business purposes;
     - physically secured; and
     - based on fair and just prices; and
   - reduce the risk of errors, fraud, breakdowns in control and unauthorized transactions.

8. **We recommend that the Board ensure all signing officers are bonded (i.e., insured against theft or fraud).**

We understand that since February 2004, the Department and MACSI's Board are working to strengthen the governance and management processes at MACSI to ensure public money is protected and spent only for intended purposes.

Board performing management functions without adequate oversight

The Board's Executive Committee consists of the Chair, Vice-Chair, Treasurer, and Secretary. In June 2001, the MNS appointed a new Chair and Vice-Chair, and the MACSI Board elected the new Treasurer and Secretary. At its meeting on June 15, 2001, the Board removed the cheque signing authority from the executive director and gave signing authority to its four Executive Committee members.

On August 27, 2001, the Board gave the Executive Committee "the authority to deal with personnel and staffing issues under the advisement of our lawyer and the board."

From June 2001 until February 18, 2004, the Executive Committee signed cheques and carried out management duties. During the year ended March 31, 2003, the Executive Committee members paid themselves $76,000 for "contracted labour". Support for payments to the members indicated this work related to "executive director duties, union negotiations, administration, and staff recruiting." MACSI did not make contracts with the Executive Committee members for this work.

The Board's decision to authorize its Executive Committee to carry out management functions resulted in a lack of segregation of key functions, e.g., Board oversight and the approval of payments. MACSI was not able to provide us Board minutes or other evidence that the Board properly oversaw and approved the actions of the Executive Committee. This opened the door to the losses to the Crown that we describe below.

We did not find inappropriate or imprudent use of public money by MACSI prior to June 2001.

Payments made for building repairs and renovations not done

During the period December 2001 to February 2004, the Executive Committee paid $321,000 to four contractors located in Saskatoon for renovations and repairs to MACSI's treatment centres.

As shown below, we estimate that $132,000 of this money was spent and no repairs or renovations were done.

Renovations & repairs	Saskatoon House	Prince Albert House	Regina House	Total
Payments for work done	$ 189,000	$ 0	$ 0	$ 189,000
Payments for work apparently not done	80,000	42,000	10,000	132,000
Total payments	$ 269,000	$ 42,000	$ 10,000	$ 321,000

To determine the amount of work done, we inspected each House. We discussed the nature and extent of the work with current and former MACSI management and staff and the architect for the Saskatoon House renovations.

While the Board gave the Executive Committee the authority to sign cheques, there is no evidence that the Board approved any of the payments for renovations and repairs totalling $321,000. There is no evidence that the Executive Committee asked for proposals (i.e., tenders) for any of the work to ensure it received the right goods and services at a reasonable price. MACSI did not make contracts with any of the contractors to document what MACSI was purchasing or for how much.

We estimate that three of the contractors (paid a total of $143,000) did few actual renovations. We also think it was inappropriate for the Executive Committee to deal with contractors that are not lawful businesses. That is, the three contractors operate in the "underground economy". They are not registered as businesses in Saskatchewan, even though they have business-like names. The City of Saskatoon has not issued business licenses for these contractors. They are also not registered with Canada Revenue Agency (CRA) for the collection and remittance of Goods and Services Taxes (GST). No telephone listings exist now or at the time of payment for these suppliers. The Executive

Committee made out all cheques in the names of three individuals, not the business names.

The Board Chair appears to be associated with one of the above three "businesses" (total payments of $7,750) because MACSI made out the cheques totalling $7,750, in the Chair's name, for work not done.

MACSI spent $269,000 on renovations to the Saskatoon House. Our discussions with the architect and a visit to the Saskatoon House indicate that only about $189,000 of renovations were actually done. A fourth contractor, paid $181,000, did over 95% of the renovations actually done at the Saskatoon House. This contractor has a business license from the City of Saskatoon. The $80,000 paid for work not done was paid to two of the three contractors described earlier.

Payments to board members

The following exhibit shows the total payments to board members during the 4 years ended March 31, 2004. The payments include contractual services, honorariums, and reimbursements for travel expenses.

	2001	2002	2003	2004	Total
Chair	$ 0	$ 36,453	$ 61,495	$ 64,110	$ 162,087
Vice-chair	0	22,152	20,429	18,620	61,202
Secretary	1,602	16,981	21,397	22,527	62,507
Treasurer	3,286	14,605	24,534	31,993	74,417
Other members	43,350*	18,139	31,859	47,511	140,859
Total	$ 48,238	$ 108,330	$ 159,714	$ 184,790	$ 501,072

(* Includes payments to former executive committee members)

Unlike the financial statements of many health agencies, MACSI's financial statements do not show Board expenses. Instead, MACSI grouped its Board expenses with travel and sustenance expense.

MACSI could not show us evidence that the Board approved contractual services paid to the four Executive Committee members for the year ended March 31, 2004 (total of $76,000). MACSI did not make agreements with these Board members for the work purportedly done.

MACSI did not take deductions from these payments for employment insurance, Canada Pension Plan, or income tax. MACSI has not received a ruling from the Canada Revenue Agency (CRA) to determine if an employer-employee relationship exists between MACSI and these Board members. If the CRA rules that such a relationship exists, then MACSI may be subject to penalties and retroactive contributions to CRA.

MACSI's Board expenses are excessive. We compared MACSI's Board expenses to other agencies that spend public money for the year ended March 31, 2004. We provide the comparison below.

Agency	Board expenses	Total revenue	%
MACSI	$ 185,000*	$ 2,700,000	6.9
St. Louis Alcoholism Rehabilitation Centre	6,000	800,000	0.7
Saskatchewan Cancer Agency	51,000	53,000,000	0.1
Sunrise Regional Health Authority	64,000	132,000,000	0.05

(*does not include MACSI's payments for hotel rooms)

Vehicle costs

Board Chair

As described later, the vehicle costs incurred by the Board Chair increased dramatically after April 1, 2002. We show the vehicle costs for the Board Chair for the years ended March 31, 2003 and 2004.

Year ended March 31	2003		2004	
	kms	cost ($)	kms	cost ($)
Board Chair				
CVA Vehicle	57,774	$ 18,953	63,897	$ 21,072
Leased Dodge Ram Truck			31,000	10,566*
Mileage Allowances Claimed	43,199	15,489	54,753	20,798
Total	100,973	$ 34,140	149,650	$ 52,436

(* cost does not include fuel & maintenance paid by MACSI)

If the Chair travelled every day of the year, he would have needed to drive an average of 410 kms each day to accumulate the 149,650 kms driven for the year ended March 31, 2004. For 2003, the average would be 277 km per day for 365 days. Given the Chair's duties, this amount of business travel for MACSI seems unlikely.

CVA leased vehicles

In recent years, MACSI leased five vehicles from the Saskatchewan Property Management Corporation – Central Vehicle Agency (CVA).

As shown above, MACSI assigned one CVA vehicle to the Board Chair and another to the Board Secretary. Two of the leased vehicles are vans that the Saskatoon and Regina Houses use to transport clients.

MACSI assigned the fifth vehicle to a full-time employee of the Métis Employment and Training of Saskatchewan Inc. (METSI)[1]. METSI provides job training for Métis persons and wage subsidies to employers. METSI is an affiliate of the Métis Nation of Saskatchewan. MACSI could not show us a business reason for assigning one of its vehicles to an employee of another agency.

The METSI employee retained the CVA vehicle from June 13, 2002 to February 23, 2004 for a total cost to MACSI of $14,922.

CVA paid all costs for the five vehicles including fuel, maintenance, and repairs, then billed MACSI rental for the vehicles on a monthly basis.

MACSI's spending for CVA vehicle rentals more than tripled since 2002. Total spending for years ended March 31:

2002	$ 23,000
2003	$ 61,000
2004	$ 77,000

These costs do not include the cost of renting and operating a truck for the Board Chair or the mileage reimbursement claims by the Chair and Board Secretary described later.

MACSI could not show us a business case for its leasing of the five vehicles. Leasing incurs a fixed monthly charge that may be excessive and can be avoided by using pooled CVA vehicles or by reimbursing staff for using their own vehicles.

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[1] After this report was made public, METSI informed us that it has not authorized any employee to use a vehicle from MACSI and it does not have a contract with MACSI for the use of a vehicle.

Leased truck for Board Chair

In October 2003, MACSI leased a 2004 Dodge Ram truck for the Board Chair. MACSI paid $684 a month for the truck plus a down payment of $5,261. MACSI installed a box liner on the truck for $1,201 and replaced the windshield for $571.

For the next six months, the Chair drove the truck 31,000 kilometres (kms). The Chair continued to retain his assigned CVA vehicle as well as using CVA pool vehicles on some occasions.

In addition to the costs of leasing vehicles, the Chair submitted expense claims for mileage allowance to MACSI as if he owned the two MACSI vehicles he drove, as described below.

Mileage allowance claims

MACSI, like many publicly-funded agencies, pays its staff a mileage allowance for driving their own personal vehicles for the agencies' business purposes. The mileage rate MACSI pays is similar to the rates paid by government agencies.

As described earlier, the Board Chair and Secretary had corporate vehicles for their full-time use. Beginning in the year ended March 31, 2003, MACSI also started to pay them a mileage allowance as if they drove their own vehicles for business purposes.

For the years ended March 31, 2003 and 2004, MACSI paid mileage claimed by Executive Board members as follows:

Year ended March 31		2003	2004
Chair	- Mileage claimed	43,199 kms	54,753 kms
	- cost	$ 15,489	$ 20,798
Secretary	- Mileage claimed	9,388 kms	11,914 kms
	- cost	$ 3,505	$ 4,675

Credit cards

In August 2002, the Board Chair obtained two corporate credit cards in his name. MACSI already had a corporate credit card in the name of one of its accounting clerks.

MACSI paid the full balance on the credit cards each month. Prior to August 2002, all charges to the credit card were supported by invoices and were for proper business purposes.

From August 2002 to February 2004, the Chair increasingly used the credit cards. The Chair often did not provide MACSI with supporting invoices for the credit card charges. The accounting clerk's use of the credit card remained consistent throughout this period.

We show the total credit card use by the Chair and accounting clerk below for the years ended March 31:

2002	$ 3,988
2003	$ 8,532
2004	$46,537

The Chair took the following cash advances on credit cards without supporting documentation for the years ended March 31:

2002	$ 150
2003	$ 2,621
2004	$14,884

Charges to credit cards for meals for the years ended March 31:

2002	$ 545
2003	$ 1,324
2004	$ 7,533

In addition to cash advances and meals, between April 1, 2003 and February 18, 2004, the Chair purchased personal items on the credit cards for a total of $7,545 as shown below. These items do not appear relevant to MACSI's business. In addition, MACSI was unable to show us the items.

Personal items purchased include:

- sofa/loveseat - $1,450

- picture windows - $298
- gym set - $560
- accommodation/meals/boat rental at North Haven Lodge - $939
- car battery/labour - $215
- three portable air conditioners - $853
- veterinary services for two animals - $663
- mechanical repairs at Chair's residence - $149
- lumber (delivered to Chair's residence) - $499
- Kodak DX3600 Digital camera - $655
- cash advance at a Casino - $314
- garden tractor with mower and rototiller - $950

Other payments without proper authority

MACSI agreed in writing to pay a consulting firm $18,000 to prepare a proposal to request a grant from the Federal Government. MACSI could not provide us written evidence to show how much money it was seeking from the Federal Government or the purpose of the money. MACSI paid the consulting firm $13,500 and paid the Board Chair $4,500.

9. **We recommend that the Department work with MACSI to determine the amount that the former executive committee members of the board of directors owe MASCI and try to recover the money.**

MACSI continues to provide needed services

We understand that MACSI's management and staff have continued to provide needed services in spite of the lack of governance and the mismanagement of public money described in this report. Department officials and independent addictions experts told us that MACSI's staff continue to provide a valuable service for people with addictions.

Part II – Department's supervisory controls need strengthening

This part of our report describes our audit of the Department's supervision of MACSI.

As described earlier, the second objective of our audit was to determine whether for the period April 1, 1998 to February 18, 2004, the Department used sound oversight processes to ensure that MACSI properly protected public money and spent it prudently and for intended purposes. In addition, we examined if the Department took prompt and appropriate action to remedy any significant problems it knew, or should have known, about MACSI's operations during the above noted period.

Department's oversight processes need strengthening

The Department needs to strengthen its oversight processes to ensure that community-based organizations (CBOs) such as MACSI properly protect public money and spend it prudently and for intended purposes.

We expected the Department to have processes to keep informed about the CBOs' operations including any significant problems. The Department should base its processes on a risk assessment of each CBO. High risk CBOs require stronger supervision. For high risk CBOs, such as MACSI, the Department should do regular inspections of their operations and attend boards of directors' meetings.

The Department makes agreements with all CBOs that provide services on its behalf. The Department uses these agreements to help it direct and supervise the agencies and to keep informed about any problems.

Next, we describe how the Department's agreements with MACSI and other CBOs are not adequate for that purpose.

Annual service agreements need strengthening

The Department provides most of its services through health agencies such as regional health authorities and the Saskatchewan Cancer Foundation. The Department also uses many CBOs such as privately-owned hospitals, special care homes, mental health agencies, and addictions agencies to deliver health services.

Twelve regional health authorities (Authorities) directly supervise and provide money to most of the CBOs. The Department directly supervises and provides $12 million directly to 63 CBOs (including four CBOs that provide addictions services).

To achieve its objectives, the Department must ensure that all health agencies work towards the Department's objectives. To do this, the Department needs to supervise the performance of health agencies. The Department must also ensure that the Authorities adequately supervise the CBOs who provide services on the Authorities' behalf.

The Department makes annual service agreements with the Authorities. These agreements are adequate for the Department to supervise the Authorities' performance. The Authorities, in turn, make annual agreements with the CBOs they supervise. With very few exceptions, these agreements are adequate.

The Department makes annual agreements with the CBOs (including MACSI) that it directly supervises. The agreements authorize spending limits on specific kinds of expenses (e.g., salaries, purchased services) on a line-by-line basis. Appendix 2 shows the authorized spending limits (budget) for MACSI for the period April 1, 1998 to March 31, 2003.

The agreements with CBOs need improvement to ensure that the CBOs achieve the Department's objectives. The content of the agreements should be based on a risk assessment.

Adequate service agreements have the following key elements:

- set out clearly the Department's financial, operational, and compliance with the law objectives and the services the CBOs are to provide;
- require the CBOs to report periodically to the Department their assessments of the processes they have established to achieve the Department's objectives;

- require the CBOs to report to the Department periodically on their progress in achieving the Department's objectives;
- give the Department access to the CBOs' staff and records; and allow the Department, or require an independent auditor, to verify the CBOs' reports; and
- describe how the Department will provide money to the CBOs.

For CBOs managing small amounts of public money (e.g., less than $250,000), the Department could have less stringent reporting requirements than those described above. For these CBOs, the Department could directly monitor and document their performance instead of requiring formal performance reports from these CBOs.

The Department's agreements contained the key elements described above except they did not:

- set out the Department's operating objectives or performance measures; and
- require audited reports on the CBOs' processes to safeguard public resources, compliance with the law, or progress in achieving the Department's operating objectives.

The Department's most recent agreement with MACSI contains the above key elements.

The Department received annual audited financial statements each year from MACSI during the period of our audit. The auditors' reports provide assurance that MACSI's financial statements are reliable. The audited financial statements show a comparison of actual expenses to expenses authorized by the Department.

The Department did not do a risk assessment on CBOs to determine which CBOs it should monitor more closely. As a result, it had not determined that MACSI needed close supervision. The Department regularly visited MACSI, but did not regularly inspect or evaluate MACSI's programs. In addition, the Department did not attend the board of directors' (Board) meetings. Attending MACSI's Board meetings could have helped the Department to understand the lack of governance processes and the potential for a loss to the Crown.

In recent years, the Department signed the service agreements with MACSI well after the fiscal year began (April 1). For the past three years, the Department signed the agreements at least five months after the year began. Finalizing agreements late reduces the Department's ability to adequately supervise MACSI and take prompt corrective action.

Without adequate processes to keep informed on all significant problems at MACSI, the Department did not know if MACSI was meeting the Department's financial, operational, and compliance with the law objectives during the period covered by our audit. In addition, the Department did not know if MACSI spent all of its public money prudently and only for the purposes intended by the Department.

Since February 18, 2004, the Department has improved its processes to keep informed of significant problems at MACSI and other CBOs. The Department has amended its standard template for making agreements with CBOs to include the key elements of effective service agreements described earlier.

In addition, the Department told us it is strengthening its processes to supervise CBOs and to take corrective action when required. We will report on these processes in a future report.

10. **We recommend that the Department of Health strengthen its processes to keep informed about any significant problems at community-based organizations (CBOs). The processes should include:**
    - **doing a risk assessment on all CBOs to determine the nature and extent of processes needed to monitor each CBO's performance;**
    - **identifying objectives and performance measures for each CBO;**
    - **reviewing each CBO's performance reports routinely;**
    - **carrying out regular on-site assessments of high risk CBOs; and**
    - **attending board of director's meetings of high risk CBOs;**

11. **We recommend that the Department finalize the service agreements with CBOs before the Department's fiscal year begins (i.e., April 1).**

Corrective actions not always adequate

As described earlier, we examined whether the Department took prompt and appropriate action to remedy problems it became aware of from April 1, 1998 to February 18, 2004.

The Department took prompt and appropriate action to remedy problems it became aware of from April 1, 2003 to February 18, 2004.

However, the Department did not always take prompt and appropriate action to remedy concerns it became aware of regarding the operations of MACSI during the period April 1, 1998 to March 31, 2003. This appears to have resulted in a deficiency or loss to the Crown through the misuse of public money provided by the Department.

For the period April 1, 1996 to March 31, 2000, MACSI incurred annual losses totalling $291,000. The losses resulted mainly from overspending on travel and sustenance (i.e., board of directors' expenses), and purchased services (i.e., contractors and consultants).

The Department told us that it met with MACSI management and the board on several occasions to express concern about this overspending. There is little written evidence (e.g., letters to MACSI) setting out the Department's concerns. The Department may have been more effective in getting MACSI to control its overspending if the Department had communicated in writing to MACSI the corrective action the Department required.

Instead of requiring MACSI to reduce its spending on directors' travel and purchased services, the Department, for the period April 1, 1999 to March 31, 2003, amended its service agreements to allow MACSI to use money previously planned for salaries for other purposes. This allowed MACSI to reduce the number of its employees significantly. For example, for the year ended March 31, 2003, MACSI spent $312,000 less for salaries than initially expected in the Department's service agreements.

The Department could not show us a written analysis to explain the rational for allowing MACSI to use public money meant for salaries for other purposes.

During 2003, the Department received numerous letters and calls regarding misuse of public money by the Board Chair and other Executive Committee members. In June 2003, a Member of the Legislative Assembly asked the Health Minister about apparent misappropriation of public money and the mismanagement taking place at MACSI.

The Department responded quickly to these concerns. On June 24, 2003, the Department decided, with MACSI's agreement, to do a thorough review of MACSI's governance, management, and financial processes, and programs. The Department started its review in September 2003 and completed it in January 2004.

The review revealed serious deficiencies in processes to safeguard public resources including governance controls and financial processes. The review also indicated many unauthorized transactions and apparent misuses of public money.

On February 18, 2004, the Minister of Health reached an agreement with the Métis Nation of Saskatchewan. The agreement:

- terminated the 17 member MACSI board of directors and replaced it with a four member board;
- appointed an interim executive director for MACSI for a maximum period of one year;
- required the new board to address the problems found by the Department's review and to hire a permanent executive director by September 1, 2004; and
- required the new board to undertake a forensic audit as its first order of business.

In March 2004, the Department hired a forensic accountant as described earlier. The Department also recommended to Cabinet that our Office conduct a special assignment as described earlier.

12. **We recommend that the Department of Health improve its processes to remedy any significant problems at community-**

based organizations (CBOs). These processes should include procedures to:

- clearly define the problem;
- provide options for corrective action;
- promptly inform the CBOs, in writing, of the problem and corrective action required;
- give the CBOs a deadline for fixing the problem; and
- set predetermined remedies if the CBO does not fix the problem promptly.

13. We recommend that the Department of Health ensure MACSI implements recommendations 1 – 8 of this report.

Appendix 1 – Order in Council 111/2004

03 March 2004 111/2004

TO THE HONOURABLE

THE LIEUTENANT GOVERNOR IN COUNCIL

The undersigned has the honour to report that:

1. *The Provincial Auditor Act* provides, in part, as follows:

"16(4) Where:
(a) the Lieutenant Governor in Council:
(i) requests the provincial auditor to perform a special assignment; and
(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and
(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;
the provincial auditor may perform the special assignment."

2. Saskatchewan Health has asked the Provincial Auditor to examine the accounts and records of Saskatchewan Health relating to the contracting and funding practices with the Métis Addictions Council of Saskatchewan Inc. and to offer an opinion on whether Saskatchewan Health exercised appropriate controls and applied appropriate procedures to sufficiently safeguard and control the funds provided to the Métis Addictions Council of Saskatchewan Inc.

3. It is desirable and in the public interest that the Provincial Auditor perform a special assignment, pursuant to the terms of reference as set out in the attached schedule "A", to determine whether the funding that the Métis Addictions Council of

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Saskatchewan Inc. received from the Government of Saskatchewan was used appropriately and for the purposes for which it was provided.

The undersigned has the honour, therefore, to recommend that Your Honour's Order do issue pursuant to section 16 of *The Provincial Auditor Act* requesting that the Provincial Auditor perform a special assignment, pursuant to the terms of reference as set out in the attached schedule "A", to determine whether the funding that the Métis Addictions Council of Saskatchewan Inc. received from the Government of Saskatchewan was used appropriately and for the purposes for which it was provided.

RECOMMENDED BY: John T. Nilson
Minister of Health

RECOMMENDED BY:
Minister of Finance

APPROVED BY:
President of Executive Council

ORDERED BY: Lynda Haverstock
Lieutenant Governor

REGINA, Saskatchewan

SCHEDULE "A" to OC 111/2004

Schedule A
Terms of Reference
Provincial Auditor Special Assignment: MACSI

In performing this special assignment the Provincial Auditor:

1. Shall investigate the administrative practices of MACSI to determine whether, in his opinion:
   a. Money paid to MACSI by the Minister of Health during the period of April 1, 1998 to February 18, 2004 has been used appropriately, fully accounted for and properly disposed of in accordance with the terms and conditions of the funding agreements.
   b. MACSI maintained essential records, rules and procedures to appropriately safeguard and control the money it received from the Minister of Health.
2. May rely on the work of an independent forensic auditor engaged by the Minister of Health and MACSI to perform a forensic audit of the books, accounts, records and activities of MACSI.
3. Shall provide advice, as required, to a Forensic Audit Reference Group that will provide oversight and guidance to the forensic audit process. The Reference Group will be composed of representatives from the Provincial Comptroller, MACSI and chaired by Saskatchewan Health. The Provincial Auditor will be invited to attend any and all meetings of the Reference Group.
4. Shall have access to working papers and documents that are collected by the independent forensic auditor during the course of the forensic audit.
5. Shall have the authority to conduct additional work on MACSI if, in his professional opinion, further review is required in addition to the forensic audit noted in Section 2.
6. May require and receive from Saskatchewan Health any information, reports and explanations that he considers necessary for the purposes of this special assignment.
7. Shall submit his report on this special assignment as soon as practicable to the Lieutenant Governor in Council as required by Subsection 16(5) of *The Provincial Auditor Act*.

Appendix 2

Schedule of Revenue and Expenses for Addictions Services
Years Ended March 31, 1999 to 2003

	1999		2000		2001		2002		2003	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Revenue										
Grants - Sask. Health	2,022,274	2,022,290	2,072,604	2,072,626	2,111,865	2,111,865	2,240,094	2,236,123	2,334,738	2,334,738
Transfers from Deferred Revenue	50,131		35,000		20,000					
Miscellaneous	9,250	-	46,428	-	88,519	-	53,704	-	36,273	-
	2,081,655	2,022,290	2,154,032	2,072,626	2,220,384	2,111,865	2,293,798	2,236,123	2,371,011	2,334,738
Expenditures										
Amortization	17,027	-	17,714	-	18,359	-	14,127	-	14,828	-
Building Occupancy	181,803	173,070	189,520	180,802	189,177	182,611	197,166	186,263	209,699	189,997
Food Supplies	90,530	76,000	91,867	79,123	68,867	79,916	70,693	81,513	59,058	83,142
Housekeeping	22,906	17,200	23,481	18,044	24,508	18,224	26,541	18,588	27,798	18,959
Legal Settlement	-	-	-	-	57,140	-	21,250	-	30,000	-
Medical Supplies	3,800	3,550	3,540	3,685	3,880	3,722	6,355	3,796	7,007	3,872
Miscellaneous	22,643	22,597	13,455	13,809	1,288	13,948	18,348	14,228	11,035	14,513
Office Supplies	57,863	45,150	52,944	46,755	45,503	47,224	51,653	48,167	62,690	49,130
Promotion/publ./donations	16,926	-	18,876	-	1,587	-	17,263	-	23,538	-
Purchased services	62,420	13,500	127,794	16,094	51,871	16,253	85,636	16,579	107,805	16,911
Recreation/education	5,314	67,600	8,192	69,879	4,871	70,576	5,349	71,988	4,260	73,427
Salaries and staff benefits	1,515,673	1,520,163	1,551,441	1,556,549	1,491,665	1,590,624	1,455,534	1,704,459	1,480,459	1,792,434
Staff recruiting/education	35,609	12,000	4,905	12,417	2,861	12,542	34,854	12,793	27,741	13,049
Travel and sustenance	171,438	71,460	147,936	75,469	110,418	76,225	132,053	77,749	216,202	79,304
	2,203,952	2,022,290	2,251,665	2,072,626	2,071,995	2,111,865	2,136,822	2,236,123	2,282,120	2,334,738
Excess of Revenues over Expenditures	(122,297)	-	(97,633)	-	148,389	-	156,976	-	88,891	-

Source: Annual audited financial statements for the Métis Addictions Council of Saskatchewan Inc.

Learning

3

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Main points

Learning is a lifelong process. It is our key to success in school and in life. The Department of Learning has overall responsibility for the learning sector.

The Department continues to move forward in improving public information about the learning sector and its plans for the sector. In addition, it is using new processes to gather information on vulnerable students. These actions will help the Department to provide better information on its performance in the future.

School divisions are key partners of the Department. They play a central role in the delivery of pre-kindergarten to Grade 12 education. We continue to recommend the Department take steps to ensure school divisions provide the Department and the public with timely and improved information on their performance (both financial and non-financial).

One of the Department's key responsibilities is to develop and maintain the provincial curriculum for kindergarten to Grade 12. The curriculum guides what these students are taught and when. The Department works with school divisions to implement the curriculum.

The Department continues to need to improve how it documents the resources needed to implement revised curriculum. In addition, the Department is improving how it monitors action on its curriculum evaluation recommendations.

The rising costs of post-secondary education place increased pressures on student financial assistance programs. It is important that only eligible students receive aid in the correct amounts. The Department is taking steps to address our concerns on its processes to verify critical information on student loans.

Introduction

The Department of Learning has overall responsibility for the learning sector. This sector includes programs and services for early childhood development, pre-kindergarten to Grade 12 (K–12) education, technical training and post-secondary education, and public libraries.

Its responsibilities are set out primarily in *The Education Act, 1995*, *The Department of Post-Secondary Education and Skills Training Act, 2001*, and *The Public Libraries Act, 1996*.

Related special purpose funds and agencies

At March 31, 2004, the Department was responsible for the following special purpose funds and agencies:

	Year-end
Education Infrastructure Financing Corporation	March 31
Saskatchewan Correspondence School Revolving Fund	March 31
Saskatchewan Student Aid Fund	March 31
School Division Tax Loss Compensation Fund	March 31
Training Completions Fund	March 31
Prince of Wales Scholarship Fund	March 31
University of Regina	April 30
University of Saskatchewan	April 30
Carlton Trail Regional College	June 30
Cumberland Regional College	June 30
Cypress Hills Regional College	June 30
North West Regional College	June 30
Northlands College	June 30
Parkland Regional College	June 30
Prairie West Regional College	June 30
Southeast Regional College	June 30
Saskatchewan Apprenticeship and Trade Certification Commission	June 30
Saskatchewan Institute of Applied Science and Technology (SIAST)	June 30
Teachers' Superannuation Commission	June 30

Financial overview

Each year, the programs and services within Learning sector cost over $2 billion. The following sources pay for most of these programs and services. Each year, the Provincial Government provides over $1 billion through the General Revenue Fund, taxpayers provide almost $700 million through property taxes, the Federal Government provides over $100 million primarily through cost-sharing arrangements, and students provide over $400 million primarily through tuition fees.

As set out in its *Annual Report 2003–2004* (2003-04 Annual Report), the Department raised revenues of about $61 million and spent about $1.2 billion. The report is available at http://www.sasked.gov.sk.ca. Table 1 details the Department's spending. The 2003-04 Annual Report sets out the reasons for the major differences between its actual financial results and the estimates.

Table 1

	Original Estimates 2003-04[1]	Actual 2003-04
	(in millions of dollars)	
Administration	$ 6.2	$ 5.9
Accommodation and central services	7.9	7.9
Capital grants from centenary funding	9.7	9.7
Early Childhood Development	3.0	2.8
K–12 Education	551.7	584.8[2]
Post-Secondary Education	358.3	406.4[3]
Provincial Library	8.5	9.6
Student Support programs	74.7	67.3
Teachers' Pensions and Benefits	108.3	133.6[4]
Training programs	46.8	48.6
	$ 1,175.1	$ 1,245.8

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[1] Saskatchewan Finance, *Saskatchewan Estimates 2003-04* for Learning (Vote 5) and the amount of Centenary Fund (vote 70) assigned to Learning.

[2] Includes $30.1 million of capital projects to school divisions financed through Education Infrastructure Financing Corporation.

[3] Includes $49.2 million of capital projects to post-secondary institutions financed through Education Infrastructure Financing Corporation.

[4] The actual amount for Teachers' Pensions and Benefits is restated. The amount is adjusted for the $11 million overstatement of pension costs. For description of error, see section on "Reporting of pension and capital costs" later in this chapter.

Each year, the Legislative Assembly receives the annual report including the audited financial statements of each agency and the audited financial statements of each special purpose fund listed above. Table 2 summarizes the total revenues and assets of each and sets out the amount of revenues each received from the General Revenue Fund (GRF) for the current year.

Table 2

Fund or agency	2004 Total revenues	2003 Total revenues	2004 Total Assets held	2004 Revenues from GRF	2003 Total assets held
	(Actual in millions of dollars)				
Education Infrastructure Financing Corporation	$ NA	$ 0.57	$ NA	$ NA	$ 38.6
Prince of Wales Scholarship Fund	0*	0*	0*	0*	0*
Regional Colleges (combined)	47.98	49.68	36.34	16.00	32.16
Saskatchewan Apprenticeship and Trade Certification Commission	10.65	10.36	0.91	9.8	0.76
Saskatchewan Correspondence School Revolving Fund	1.38	1.39	0.52	044	0.51
Saskatchewan Learning Resources Distribution Centre Revolving Fund	0	(0.72)	0	0	0
Saskatchewan Student Aid Fund	42.26	26.81	99.11	31.48	103.91
School Division Tax Loss Compensation Fund	2.88	1.44	6.20	0	4.50
SIAST	139.22	136.21	51.37	98.20	45.94
Training Completions Fund	0.05	0.07	0.43	0	0.43
Teachers' Superannuation Plan	316.62	75.01	1646.00	74.90	1578.51
University of Regina	165.68	145.90	257.31	76.00	219.75
University of Saskatchewan	566.60	532.40	1,066.36	231.10	985.45

Source: 2003 and 2004 Audited financial statements of each unless otherwise stated.
NA – audited information not yet available
* – The Prince of Wales Scholarship Fund had revenues of $5,977 (2003 - $2,500) and held assets of $1,227 (2003 - $0) at March 31, 2004.

Audit conclusions and findings

In this section, we report the results of our 2004 audits of the Department, the five special purpose funds, three of the eight colleges (i.e., Cypress Hills, North West, and Prairie West), the Saskatchewan Apprenticeship and Trade Commission, SIAST, and Teachers' Superannuation Commission.

It does not include the results for the 2004 audit of the Education Infrastructure Financing Corporation because the audit is not yet complete. The Corporation has not presented final financial statements for audit. We will report on the results of this audit in our next report.

In our opinion for the fiscal years ended on or before June 30, 2004:

- **the Department and the agencies listed in the preceding paragraphs had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter;**

- **the Department and the above-listed funds and agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing except for matters on the Student Aid Fund reported in this chapter; and**

- **the 2004 financial statements of the above listed funds and agencies are reliable.**

Since 1998-99, we audit colleges on a cyclical basis. We work with the appointed auditor of each of these colleges to carry out the audits. We require the appointed auditors of the other five colleges that are not in rotation to provide us with their audit reports that set out the results of their audits. We review these reports and have discussions with related departmental officials to identify significant matters for these Colleges. If so, we work with the related appointed auditors on these matters. For SIAST, we carry out the audit jointly with the appointed auditor.

The following table sets out the appointed auditor for each of these agencies. We use the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*. The auditors of the other five colleges did not report any new matters for the colleges they audited.

Crown agency	Appointed auditor
SIAST	Deloitte & Touche LLP, Chartered Accountants
Cypress Hills	Meyers Norris Penny LLP, Chartered Accountants
North West	Downie Johnson Svenkeson, Chartered Accountants
Prairie West	Gilchrist & Co., Certified Management Accountants

Findings—Department

In this section, we provide an update on the status of previously reported recommendations.

Monitoring vulnerable students

Since 1999, we have encouraged the Department to take a leadership and coordinating role to improve the monitoring of the movement of vulnerable children between schools and education systems[5]. We noted the Department needed better information on attendance and progress of students. It needed this information to help ensure educational services and funding are appropriate.

As set out in table 3, the Department has worked with its partners to identify workable solutions. In the 2003-04 school year, the Department implemented a provincial student tracking system (i.e., student data system). Information captured in the system helps identify the number of students not in school. This enables schools and the Department to find out why these students are not in school and decide how best to meet their specific needs for education.

Table 3

In February 2001, the Department released a report entitled *Task Force and Public Dialogue on the Role of the School: SchoolPLUS A Vision for Children and Youth*. One of the 97 recommendations was "That a determined and well funded intervention strategy be developed by the province to address the situation of Hidden Youth".[6]

In the report *Securing Saskatchewan's Future – Ensuring the Wellbeing and Educational Success of Saskatchewan's Children and Youth*, released in February 2002, the Department noted the above recommendation was key and required priority focus and action. It noted that the Government, together with its partners, would develop a strategy to address the issues of hidden youth. This included the implementation of a new student data system with the capacity to identify and track student enrolment, movement and retention[7].

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[5] Chapter 2, Office of the Provincial Auditor, *1999 Fall Report – Volume 2*, pp.121- 132.

[6] Hidden youth refers to those children not in school.

[7] Pp.12, *Securing Saskatchewan's Future – Ensuring the Wellbeing and Educational Success of Saskatchewan's Children and Youth Provincial Response – Role of the School Task Force Final Report*, February 2002.

Monitoring provincial training allowances

In Chapter 4 of our 2003 Report – Volume 3, we reported that the Department needed better processes to ensure only eligible persons receive provincial training allowances in the correct amount. We recommended that the Department set out the rate of incorrect payments for the Provincial Training Allowance program that it will accept and use procedures that prevent/detect incorrect payments to meet the pre-established rate.

The Standing Committee on Public Accounts concurred with our recommendation in June 2004.

During the year, the Department provided $18.5 million (2002-03: $19.9 million) under the provincial training allowance program. As in prior years, it identified that it made significant overpayments. It recovered a portion of these overpayments by reducing future payments to recipients or taking other steps where it was no longer making payments to the recipient. In most cases, the recipients have limited financial resources and recovery of overpayments is difficult. At March 31, 2004, the Department has $3.6 million of overpayments not yet recovered (2003 - $3.2 million). The Department estimates that it will not recover 76% of this amount (2003 - 74%).

In July 2004, the Department approved an acceptable rate of incorrect payments. It agreed to accept a maximum rate of 5.0% with corrective actions to reduce to a maximum of 4% within the next 24 months. It is reviewing its current experience against this rate to determine the necessary adjustments to its processes.

Reporting performance

Performance reporting includes reporting on results against previously established objectives. As such, performance reporting involves timely sharing of plans.

Since 1998, our Office has made four key recommendations related to better reporting on performance. The Standing Committee on Public Accounts discussed these recommendations in the past and agreed with them. The following sets out the status of each of these recommendations.

Explaining accountability relationships

We continue to recommend that the Department provide legislators and the public with a clear concise description of the accountability relationships between the Department and key provincial educational agencies.

The Department needs to continue to improve its description of the accountability relationships between the Department and the key provincial agencies within the learning sector. As the Government's guidelines for performance planning indicate,

> a description of the accountability relationships within the sector clearly delineates the key roles and responsibilities of the Government and its key public sector partners (this includes the Minister, the department and each partner)[8].

The Learning sector is large and complex. Over 20 laws govern the accountability relationships between the Department and the agencies within the sector. Relationships within the sector vary.

In some cases, the agency is directly accountable to the Legislative Assembly, while in others they are not. In some, Cabinet appoints the board, and the Department approves the agency's business plan and directly holds it accountable for the achievement of the plan (e.g., regional colleges). While in others, Cabinet appoints part or none of Board (e.g., universities, school divisions). In these cases, the Board is elected (either in full or in part). Typically, these agencies must obtain the Department's approval of key activities, such as borrowing (e.g., universities) or building (e.g., school divisions).

The diversity in these different arrangements makes it hard for legislators and the public to understand who is accountable to whom and for what. A clear and common understanding is critical for the successful implementation of a plan.

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[8] Government of Saskatchewan, *Accountability Framework, Planning Guidelines*, Performance Management Branch, Department of Finance, p.18.

In the 2004-05 Performance Plan, released in March 2004, the Department provides legislators and the public with better information about its accountability relationships with school boards, post-secondary institutions, and libraries. In addition, in its 2003–04 Annual Report, the Department clearly describes the Funds it manages.

While the information is better, more work remains. The descriptions provided do not describe the key roles and responsibilities of the Government and each of its key public sector partners. Legislators need this description to help them understand and properly assess the Department's and the sector's success.

Improving sector planning and reporting

We continue to recommend that the Department report publicly against its approved sector-wide plan.

The Department continues to improve public reporting of its plans and results. In March 2004, the Department published its performance plan for the learning sector for 2004-05. As shown in table 4, this plan sets out the goals and objectives for the Saskatchewan learning sector. The plans of the various agencies within the Learning sector include the identified sector-wide performance measures. In addition, they are working with the Department to develop the remaining measures and performance targets.

Table 4 – 2004-05 Performance Plan for Saskatchewan's learning sector

Goal #1: Learners succeed

Objectives:

- Optimize children's "readiness to learn"
- Enhance learner outcomes
- Deliver high quality curriculum programs and services
- Provide access to information and resources

Goal #2: A seamless continuum of formal and informal learning opportunities

Objectives:

- Support labour market preparedness
- Support co-ordinated and aligned sector planning and operations

Goal #3: Inclusiveness

Objectives:

- Increase the participation of Aboriginal people in sector programs and services
- Increase the participation of low-income individuals in post-secondary education and training
- Meet the requirements of individuals with special needs
- Support the education and training of Saskatchewan's official minority language community

Goal #4: Social and economic development

Objectives:

- Ensure a skilled labour force
- Expand research and development
- Strengthen community capacity.

Source: 2004-2005 Saskatchewan Provincial Budget, Performance Plan, Saskatchewan Learning

We commend the Department for publishing a plan for the entire Learning sector. This plan will enable the Department to coordinate and monitor the efforts of the entire sector. In addition, Saskatchewan sector-wide learning performance measures will enable the Department to work with other provinces to develop Canada-wide accepted measures.

In its 2003–04 Annual Report, the Department started to report on its results against its previously reported plan. It notes future annual reports will report its results against the sector performance plan.

Also, the Department routinely makes other reports containing key information on its sector available on its web site. For example, the *2002 Saskatchewan Education Indicators–Kindergarten to Grade 12* published in June 2003 presents provincial data for the K–12 education. It includes data collected from school divisions as part of the provincial indicators and school assessment indicators[9] programs. The Department generally publishes these reports every second year. In between, it makes the assessments available on its web site.

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[9] The school assessment indicators program is a cyclical program of pan-Canadian assessments of student achievement in mathematics, reading and writing, and science.

Requiring performance reporting by school divisions

We continue to recommend that the Department work with school divisions and other stakeholders to set public reporting requirements for school divisions' performance in achieving the Goals of Education.

The Department needs to continue its work with school divisions in this area. Currently, most school divisions do not report publicly on their performance. During 2003-04, the Department furthered its activities to improve the performance reporting of school divisions. Since 2001, it has worked with volunteer school divisions to improve their capacity to report on their performance. Although the Department has not required all school divisions to take part, it expects all school divisions to do so by 2005-2006.

Improving financial reporting by school divisions

We continue to recommend that the Department set financial reporting requirements for school divisions consistent with those recommended by The Canadian Institute of Chartered Accountants (CICA) for the public sector.

Unlike municipalities and provincial libraries, school divisions do not use generally accepted accounting principles as recommended by the CICA (GAAP) to prepare the financial statements they make available to the public and the Department. Use of GAAP helps ensure financial statements provide reliable and comparable financial information for decisions. GAAP are best practice. GAAP changes over time to reflect the needs of users of financial statements.

The Department works with the Saskatchewan Association of School Business Officers (SASBO). With SASBO, it assesses the quality of the divisions' financial statements and helps them improve their financial reporting. The Department supports the accounting policies developed by SASBO. These policies reflect most of GAAP, but not all. For example, SASBO policies do not provide guidance on accounting for government transfers and defining a division's accounting reporting entity. School divisions follow these policies to prepare their financial statements. SASBO does not have plans in the near term to change its accounting policies.

Reporting of pension and capital costs

Due to the use of Treasury Board's accounting policies, the Department has not properly reported its costs.

The Department follows policies set by Treasury Board to prepare its financial plan and to account for its activities. In our audit report on the 2004 financial statements of the General Revenue Fund[10], we continue to report that Treasury Board does not use appropriate policies to account for pension costs. As a result for the year ended March 31, 2004, the Department overstates the amount of teachers' pension and benefit costs of $124.5 million reported in its annual report by $11 million (2003 - $11 million) and understates the amount it owes for teachers' pensions by $2.49 billion (2003 - $2.50 billion).

In the prior year, we reported that the Department did not properly account for certain capital projects. At year-end, Treasury Board corrected its policy for accounting for these capital projects. However, at the direction of Treasury Board, the Department incorrectly recorded both its 2003 costs of $38 million and 2004 costs of $40.4 million as 2004 costs. As a result, the Department overstates its 2004 costs of post-secondary capital projects reported in its annual report by $30.9 million and K–12 Education school capital by $7.1 million.

Findings—Student Aid Fund

Verifying critical information

The Department needs to verify critical information on student loan applications.

During the year, the Department approved approximately 16,000 student loans (2003 - 16,000 loans) for approximately $59 million (2003 - $56 million). Also, the Department paid debt reduction benefits to students and incurred other costs of $31 million (2003 - $28 million). These debt reduction benefits and other costs depend on the amount of loans awarded to students. When the Department approves loans to students in excess of the amount they are entitled, these debt reduction and other costs increase.

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[10] *Public Accounts 2003-04: Volume 1: Main Financial Statements*, Auditor's Report [on the General Revenue Fund], pp 11 – 12.

By not verifying all critical information, the Department may incur unnecessary costs and may not comply with the regulations that govern student assistance. The Department must decide which applicant information to verify before approving loans and which information to verify at a later date. Sufficient and timely verification of critical information reduces the Department's risk of incurring significant additional costs and of not complying with the regulations. Verifying critical information on student loan applications ensures only eligible students receive aid and that the amount of aid they receive is correct. The Department must balance its costs to verify applicant information with the need to provide students with timely financial assistance.

At year end, the Department did not have adequate processes to verify information on: the number of dependants, single parent status, receipt of day care allowances, amount of scholarship funds, the value and existence of vehicles, and whether the applicant is a resident of the Province. Because the Department did not have processes to verify this information and it is not practical for us to do so, we are unable to report the extent to which students received incorrect amounts of aid.

We have reported this matter for several years. The Standing Committee on Public Accounts concurred with this recommendation in March 2001, April 1999, and December 1996.

We continue to recommend that the Department verify critical information on student loan applications.

After year end, the Department shared with us the results of its risk assessment on verification of critical student loan application information. The Department found that only two of the seven types of information that we consider not adequately verified had a relatively high risk of significant monetary loss. For these areas, the Department is developing processes to verify the related information on a timely basis. Also, the Department expects its new student financial assistance system will facilitate the verification of student loan application information. In our future audits, we will examine the Department's risk assessments and the progress it makes with its new system.

Findings—Colleges

As previously stated, we were involved in the 2004 audits of Cypress Hills, North West, and Prairie West Regional Colleges. The other five regional colleges are in a similar situation to these for the following matter.

Performance management and reporting improving

Since 1996, we have recommended that regional colleges improve the reports used by their boards to monitor the colleges' performance. In February 1998, the Standing Committee on Public Accounts concurred with our recommendation.

Over the past few years, the colleges have made good progress in how they measure and report on their performance. The colleges and the Department have agreed on a set of performance measures that are common to all colleges (i.e., core measures). In addition, each college has set additional performance measures that relate specifically to its own business plan. Each have begun using these measures to report its results to the Legislative Assembly.

In common with others in the Learning sector, the colleges along with the Department are setting targets for the core measures, determining baseline results, and collecting the necessary information.

Maintaining and evaluating curriculum—two follow-ups

The Department is responsible for the overall quality of the Kindergarten to Grade 12 education system in Saskatchewan. It is also responsible to develop and maintain the provincial curriculum. The curriculum guides what students are taught and when. The Department works with school divisions to implement the curriculum.

We previously reported on two audits related to how the Department ensures the provincial curriculum reflects the knowledge and skills that people need. In this section, we report management's actions to improve processes in response to our previous recommendations.

Maintaining a relevant curriculum

During 2000 to 2001, we audited the Department's processes to maintain the relevance of the core curriculum. In Chapter 4B of our 2001 Spring Report, we report that the Department had adequate processes to maintain the relevance of the core curriculum, except in one area. We were unable to determine if the Department used information about resources to maintain the curriculum.

The education system needs resources to make the transition to a new or revised curriculum and deliver it on an ongoing basis. Resources include teacher training, teacher aids, books, equipment, Internet access, etc. The Department must consider the resources needed so that all schools can implement the revised curriculum successfully. We recommended that the Department improve how it documents its use of information about resources in its curriculum maintenance processes. On November 1, 2001, the Standing Committee on Public Accounts agreed with this recommendation.

In Chapter 11A of our 2002 Fall Report – Volume 2, we noted that the Department had begun to improve how it documented its use of information about resources. We said the Department needed to integrate information about resources into the regular practices of all units that work to maintain the curriculum.

In October 2004, we again assessed the Department's progress. The Department told us it had adopted improved processes. It plans to use a policies and procedures manual to integrate these improvements into its regular practices.

The Department gathers information about the resources required to implement the revised curriculum. For example, committee minutes, surveys, and teacher-workshop evaluations show that it collects information about the required resources. However, the Department does not yet document an analysis of the collected information or outline, in writing, the minimum resources required to implement the revised curriculum in all schools.

Without this information, it is more difficult for the Department to assess if all schools can implement the revised curriculum promptly and with reasonable ease. The Department makes the curriculum flexible so schools have options for when and how they implement the curriculum. However, the Department needs a clear picture of the overall resources required to implement the revised curriculum in a timely way.

Responding to evaluations of the curriculum

In 2002, we audited the Department's processes to respond to evaluations of its curriculum. In Chapter 11B of our 2002 Fall Report – Volume 2, we report that the Department adequately followed up on recommendations in curriculum evaluation reports with one exception. The Department's monitoring of action and reports of progress did not extend to specific recommendations.

We recommended that the Department establish processes to monitor action taken and report progress achieved on each specific curriculum evaluation recommendation. On June 30, 2004, the Standing Committee on Public Accounts agreed with this recommendation.

In October 2004, we assessed the Department's response to the audit recommendation. Some parts of the Department now monitor the status of outstanding curriculum evaluation recommendations and provide internal reports (e.g., annually). This practice is not yet consistent throughout the Department.

The Department works with its partners to respond to curriculum evaluation recommendations. It shares the status of recommendations with partners such as school divisions. For example, the Department sends school divisions written reports outlining planned action on specific recommendations (e.g., arts education recommendations).

The Department told us it is changing its evaluation practices. The Department intends to focus more on performance and outcomes, rather than detailed examinations of processes. This will change the nature of the curriculum evaluation recommendations it receives. We anticipate that the Department will continue to improve its processes to monitor progress on individual recommendations.

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Community Resources and Employment

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Main points

The Department of Community Resources and Employment has improved compliance with its processes to ensure that only eligible persons receive the correct amount of social assistance and that children in its care are protected, but more needs to be done.

In May 2004, the Department prepared a long-term plan to improve compliance with the above processes. The plan, combined with long-term commitment from senior management, should provide a reasonable basis for the Department to comply with its processes. We will monitor the Department's implementation of the plan and report our findings in future reports.

The Department needs to strengthen its monitoring of community-based organizations' (CBOs) progress in achieving the Department's objectives. The Department needs to encourage CBOs to submit timely and complete performance reports.

We assessed whether the Department had adequate processes to measure its progress in helping welfare recipients, and others seeking financial assistance, to find and keep work. We found that the Department was in the early stages of measuring the effectiveness of its welfare to work programs. As a result, its processes were not yet adequate to measure its progress. We make several recommendations to strengthen the processes.

Introduction

The mandate of the Department of Community Resources and Employment is to advance the economic and social well-being of Saskatchewan people. It provides basic income support, housing, childcare, career services, and employment programs. The Department helps vulnerable families care for and support family members. It supports independent community-based services for people with mental and physical disabilities.

The Government's summary financial statements show "Social services and assistance" expenses of $786 million for the year ended March 31, 2004.

The following table shows the Government's total spending for social programs and services:

	(in millions of dollars) 2004	 2003
Department of Community Resources and Employment	$ 606	$ 605
Saskatchewan Housing Corporation	105	113
Department of Learning	20	24
Department of Government Relations and Aboriginal Affairs	3	-
Department of Corrections and Public Safety	39	-
Department of Justice	13	50
Total	$ 786	$ 782

The Department received $606 million from the General Revenue Fund to deliver its programs and earned revenues of $18 million. Information about the Department's revenues and expenses appears in its annual report (see http://www.dcre.gov.sk.ca).

The following is a list of the Department's major programs and spending:

	Original Estimates	Actual
	(in millions of dollars)	
Income Support	$ 313	$ 313
Family and Youth Services	67	65
Community Living	76	76
Regional Service Centres	66	69
Child Care	22	22
Accommodation and Central Services	18	18
Other	41	40
Early Childhood Development	3	3
Total	$ 606	$ 606

Special purpose funds and Crown agencies

The Department is responsible for the following special purpose funds and Crown agencies:

	Year-End
Social Services Central Trust Account	March 31
Saskatchewan Centre of the Arts	March 31
Saskatchewan Housing Corporation (SHC)	December 31

We reported the results of our audit of SHC in our 2004 Report – Volume 1.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2004:

- **the financial statements of the fund and agency are reliable;**
- **the Department and its agency had adequate rules and procedures to safeguard public resources except as described in this chapter; and**
- **the Department and its agency complied with the authorities governing their financial reporting, safeguarding public**

resources, revenue raising, and spending except as described in this chapter.

Later in this chapter, we set out the results of our audit of the Department's processes to measure its progress in helping welfare recipients, and others seeking financial assistance, to find and keep work.

Need to follow processes for social assistance payments

The Department needs to follow its processes to ensure that only eligible persons receive social assistance and that they receive the correct amount of assistance.

The Department paid $242 million in social assistance during 2004. The Department has processes for paying assistance and monitoring how well it ensures that only eligible persons receive the right amount of assistance.

The Department's internal auditor regularly reports to senior management on the level of compliance with the processes for paying assistance. In recent years, we have reported that the internal auditor's reports were not timely enough to enable management to make prompt decisions. We are pleased to report that management now receives timely internal audit reports.

For the past several years, we also reported that the Department did not ensure staff follow its processes for social assistance. As a result, the Department was unable to determine that only eligible clients received the correct amount of assistance.

Over the past two years, the Department has significantly improved the level of compliance with its processes for social assistance payments. The incidence of non-compliance is now about half the rate it was two years ago. This is a significant improvement. However, more needs to be done to bring the compliance to an acceptable level.

The Department is taking additional steps to further increase the staff's level of compliance. In May 2004, it prepared a Quality Improvement Plan (Plan) to enhance the delivery of social assistance and to improve compliance with its processes for social assistance payments. The Plan sets out objectives, risks to achieving objectives, performance measures, strategies and actions, and expected regular reporting to senior management on progress in achieving objectives. The Plan indicates that the Department will set performance targets for each measure by March 31, 2005.

The Plan, combined with long-term commitment from senior management, should provide a reasonable basis for the Department to achieve and maintain compliance with its processes.

We will monitor the Department's implementation of the Plan and report our findings in future reports.

We also reported this matter in previous reports. In June 2001, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

We continue to recommend that the Department:

- follow its established processes that ensure that only eligible clients receive assistance and that they receive the correct amount of assistance; and
- improve its records and document its procedures to ensure that custodial parents receiving social assistance pursue child support.

Need to follow processes to protect children

The Department needs to ensure that children in its care are protected and that payments to the children's custodians are authorized.

The Department is responsible to promote the well-being of children, youth, and families throughout the Province. The Department has programs and services designed to protect children from abuse and neglect, support families and communities in caring for children, assist people facing family violence, and provide adoption services.

The Department has established processes for the placement of children in its care. If the Department does not follow its processes, it cannot ensure that the children in its care are safe and that payments to their custodians are authorized.

The Department did not always follow its processes. It did not meet its standards to check for criminal records on all adults living in the home, home studies, or maintaining contact with children. As a result, the Department does not know whether all children in its care are protected or that payments to custodians are authorized.

In January 2004, the Department reviewed all its records to ensure that staff had done proper criminal record checks on all adults living in the home. Based on this review, the Department completed a criminal record check in all those instances where it had not done so at the time the custodian was approved.

Also, the Department's Plan, described earlier, covers strategies to improve compliance with its processes for protecting children in care.

The Plan, combined with long-term commitment from senior management, should provide a reasonable basis for the Department to comply with its processes to ensure that children in care are protected and that payments to custodians are authorized.

We also reported this matter in our 2003 Report – Volume 3. In September 2004, PAC agreed with our recommendation.

We continue to recommend that the Department follow its rules and procedures to ensure that children in its care are protected and that payments to custodians are authorized.

Community-based organizations

The Department's agreements with community-based organizations (CBOs) need improvement. The Department also needs to ensure that CBOs submit required reports to the Department and that the Department reviews this information on a timely basis, i.e., less than three months. As well, the Department should work with CBOs to establish performance measures and targets that allow the Department to assess the CBOs' progress in meeting the Department's objectives.

The Department paid approximately $70 million to over 260 CBOs that provide social services for the Department. CBOs are non-profit organizations that provide a wide range of programs to local communities for the Department. These programs include group homes, services to enable people to live in their own homes (who otherwise could not), and early childhood and youth-at-risk interventions.

We organize our findings on CBO's into three groupings. These are:

- agreements with CBOs;
- financial performance reports; and
- operational performance reports.

Agreements with community-based organization

The Department's agreements with CBOs need improvement.

Adequate service agreements:

- set out clearly the Department's financial, operational, and compliance with the law objectives;
- require CBOs to report periodically to the Department on their assessments of the control they have established to achieve the Department's financial, operational, and compliance with the law objectives;
- require CBOs to report to the Department periodically on the CBOs' progress in achieving the Department's objectives;
- allow the Department or an independent auditor to verify the CBOs' reports; and
- describe how the Department will provide money to the CBOs.

For CBOs managing small amounts of public money (e.g., less than $250,000), the Department could have less stringent reporting requirements than those described above. For smaller CBOs, the Department could directly monitor and document their performance instead of requiring formal performance reports from them.

The Department makes annual agreements with CBOs setting out the Department's financial and compliance with the law objectives, the right to verify reports received, and describe the basis of Department funding. However, the agreements are not adequate because they do not clearly set out the CBOs' operating objectives (i.e., what CBOs intend to achieve with the money they receive from the Department).

Also, the agreements do not require CBOs to report periodically their assessments of the control they have established to achieve the Department's objectives. Control comprises those elements of a CBO (includes its resources, systems, processes, culture, structure) that, taken together, support people in the achievement of their objectives.

Because of inadequate agreements with CBOs, the Department does not know if the CBOs are achieving the Department's objectives.

We also reported this matter in previous reports. In September 2004, PAC agreed with our recommendation.

We continue to recommend that the Department strengthen its agreements with CBOs by clearly setting out the CBOs' operating objectives and requiring the CBOs to report periodically their assessment of the adequacy of processes to achieve their objectives.

Financial reports

The Department needs to ensure that it receives and reviews financial performance reports from CBOs on a timely basis.

Service agreements require the CBOs to provide the Department with quarterly and annual financial reports including a comparison of actual to budget and an explanation of differences. The service agreements also specify the dates the Department is to receive the reports.

Many CBOs did not provide the required financial information on time. We examined CBOs that had received funding of at least $250,000 from the Department. We found that 76% of the quarterly and 50% of the annual reports (June 30 deadline) were submitted late or not at all.

The Department did not do timely reviews of the CBOs' financial reports. We found that 39% of the CBOs' reports were not reviewed by the Department within six months of the CBOs' year-end. Late reviews of financial reports could result in the Department not taking timely corrective action.

Because the Department did not adequately follow its rules and procedures, the Department did not know if the money was used for the intended purposes.

Operational reports

The Department did not know if the CBOs are achieving the Department's operational objectives.

The Department requires CBOs to submit annual reports describing their services and activities. However, the Department does not require the CBOs to set performance measures and targets to enable them to report their progress in meeting the Department's objectives.

We reported the financial and operational performance report matters in previous years. In June 2001, PAC agreed with our recommendations.

We continue to recommend that the Department ensure all CBOs submit timely performance reports to the Department as required by agreements.

We continue to recommend that the Department perform timely reviews on all the performance information submitted by the CBOs.

We continue to recommend that the Department work with CBOs to establish performance measures and targets that better allow the Department to assess the CBOs' progress in achieving the Department's operational objectives.

Business continuity plans required

The Department needs a written, tested, and approved business continuity plan to ensure that it can continue to deliver its programs and services if systems are not available. The plan should include a risk assessment that focuses on key programs and information systems.

The Department relies heavily on information technology (IT) systems to deliver its services. Department services include providing social assistance payments and emergency funding to people in need. The Department is also responsible for protecting children from abuse and neglect, supporting families and communities in caring for children, and assisting people facing family violence. The Department must provide these services promptly, even if its IT systems fail.

A business continuity plan should:

- set out the responsibilities of those who are to implement the plan;
- include emergency procedures used while the system is unavailable;
- include steps for the recovery and restoration of the system;
- document the key program processes and procedures; and
- be regularly tested and updated.

The Department does not have a business continuity plan. It has documented some parts of a business continuity plan. For example, it has documented steps to ensure that it can restore some systems in a reasonable amount of time. Without a business continuity plan, the Department cannot ensure that it can deliver timely programs and services in the event of a system failure.

We also reported this matter in our 2003 Report – Volume 3. In September 2004, PAC agreed with our recommendation.

We continue to recommend that the Department of Community Resources and Employment prepare a business continuity plan.

Security policies and procedures needed

The Department needs to prepare, approve, and implement security policies and procedures to ensure the confidentiality, integrity, and availability of information systems.

The Department needs sound security processes to protect data and systems. The security processes should identify who is responsible for the security of systems and data. Also, the processes should define how and when the Department will grant and remove an individual's access to systems and clearly identify the rules that staff need to follow. The

Department also needs to define how it will monitor compliance with security policies and procedures and address security weaknesses.

Also, the Department does not have a security awareness plan. As a result, staff could unintentionally create security risks that could result in loss or disclosure of data. Awareness training would help ensure staff are aware of security policies, security risks, and privacy issues.

1. **We recommend that the Department of Community Resources and Employment establish security processes for its information systems.**

Welfare to work audit

As described earlier, the Department's mandate is to advance the well-being of Saskatchewan people by providing programs and assistance aimed at strengthening participation in the economic and social life of the Province.

One of the Department's long-term goals is to improve the economic independence and self reliance of Saskatchewan people. This report describes the results of our audit of the Department's processes to measure its progress in achieving this goal.

For the year ended March 31, 2004, the Department spent $71 million on programs to help low income earners and welfare recipients find and keep work. During that year, it spent $242 million on welfare (i.e., social assistance).

Background

In 1997, the Department launched the first phase of an initiative referred to as *Building Independence – Investing in Families.* The first phase involved implementing a number of structural reforms to the Department's programs. These reforms encouraged and supported individuals to move from welfare to employment. The Department implemented the second phase in 2001. This phase involved the implementation of a centralized call centre as well as the amalgamation of several labour market programs into the Department's service delivery model. The purpose of these changes was to better direct clients to alternatives to welfare, to provide a greater focus on helping clients find employment, and improve the collection of client information.

Over the past decade, many governments in Canada and the United States have developed similar programs. Governments often refer to these programs as "moving people from welfare to work."

The Department's 2003-04 Annual Report attributes the steady decline of the number of individuals reliant on social assistance to the Building Independence initiative. The annual report states, "In the past year, the monthly average social assistance caseload declined by 752, from 29,683 to 28,931. Since 1998, over 6,800 families with almost 15,000 children no longer rely on social assistance."

The Department has changed existing programs and added new programs and processes since "Building Independence" was started. Exhibit 2, at the end of this chapter, describes the programs and processes the Department uses to help welfare recipients, and others seeking financial assistance, to find and keep work.

Measuring progress in helping welfare recipients find work

Citizens expect government agencies to produce ever-greater public benefits with the same or less resources, just as they expect businesses to sell them ever-better products and services at the same or lower prices. To improve results, government agencies direct resources to effective programs and remove resources from less effective ones. Agencies require reliable information as to what programs are or are not effective to make good decisions.

While it is essential for the Department to measure its success in moving people from welfare to work, it is not easy. For example, it is often difficult to obtain accurate information on people who have left the welfare caseload. Also, there are many external factors to the Department's programs that can influence people on welfare. These external influences include other government programs, economic downturns, population age, poverty rates, demand for labour; and the numbers of single parent families, and persons with disabilities and addictions.

These external influences make it essential that the Department have good processes to collect and assess information on the status of people on welfare and those who have moved off welfare into employment. While this information will not be perfect, it will enable the Department to assess how well its programs are working.

Our audit objective and criteria

We assessed whether the Department had adequate processes to measure its progress in helping welfare recipients, and others seeking financial assistance, to find and keep work. We assessed the processes as at March 31, 2004.

Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Our criteria, set out in Exhibit 1, describe the key processes that we expected the Department to use in measuring the effectiveness of its programs. The Department accepts these criteria as reasonable standards for assessing its processes.

Exhibit 1—Audit criteria for measuring progress

To measure its progress in helping welfare recipients and others seeking financial assistance to find and keep work, the Department should:

1. **Define performance measures for moving people from welfare to work**
    - 1.1 Clearly define measures
    - 1.2 Set targets for moving people from welfare to work
    - 1.3 Communicate measures and targets to management and staff

2. **Obtain relevant and reliable information about welfare recipients**
    - 2.1 Define the data needed for each measure
    - 2.2 Establish adequate processes for collecting the data
    - 2.3 Ensure data is reliable

3. **Analyze the information that is collected**
    - 3.1 Assess data results
    - 3.2 Ensure that the conclusions reached are consistent with the findings

4. **Report progress in achieving targets to senior management**
    - 4.1 Reports provide useful information to management
    - 4.2 Reports are reliable and understandable

We recognize that implementing the processes outlined in the audit criteria is a long-term and complex process. Practical considerations can cause the Department to emphasize different processes at various times. For example, before the Department selects a performance measure, it must ensure that accurate data is available at a reasonable cost. At the same time, targets can be difficult to define until reliable baseline data is available. Proper analysis cannot occur until sufficient data has been collected over a reasonable period. Over time, the Department's monitoring and learning processes will result in revisions to performance measures, targets, data, and reports.

Our conclusions

As noted above, measuring the effectiveness of welfare to work programs is a long-term, complex process. As at June 30, 2004, the Department's processes are not yet adequate to measure its progress in helping welfare recipients and others seeking financial assistance to find and keep work.

To improve its processes, the Department will need to:

- focus on performance measures that relate more directly to reducing its clients' reliance on welfare;
- establish baseline results (i.e., starting points) and performance targets (i.e., the level and timing of planned results) for each measure; and
- strengthen its data collection, analysis, and reporting to management.

In recent years, the Department has developed plans, policies, and procedures to improve its measurement processes. It has evaluated the results of a number of its programs and has done regional comparisons. This analysis has helped the Department to make program decisions. It continues to develop and refine its performance measures to better measure and report on its outcomes. It is working to strengthen its data collection, analysis, and reporting to management. The Department needs to continue these actions and make additional improvements over the long-term to measure its progress in moving people from welfare to work.

Key findings by criteria

We describe below our detailed audit findings for each criterion. For each criterion, we identify what we expected (in italics), what we found, and our recommendations.

Define performance measures

We expected the Department to have performance measures that:

- *are clearly defined;*
- *have set targets; and*
- *are communicated to management and staff.*

Effective measures are easy to understand, are quantifiable, state expected outcomes, and relate to objectives. Performance measures should have clearly identified baselines (i.e., starting point results) and challenging but achievable targets (planned results). Performance measures, baselines, and targets should be communicated to key staff so they know what they are working towards and why.

The Department has selected 17 performance measures to assess the effectiveness of its programs in moving people from welfare to work. Its 2003-04 annual report describes 12 of these measures. Generally, the performance measures are clearly defined, understandable, and quantifiable. Most of the measures have baseline results. Two measures have targets.

Most measures relate to individual programs and not directly to the Department's overall objective of reducing welfare. Several measures assess volumes of services and activities related to individual programs and processes. Two of the measures relate directly to the objective of reducing welfare. They measure the total number of welfare recipients and the number of youth aged 18 to 24 years on welfare.

The Department needs to develop new measures that relate more closely to reducing welfare. Examples of such measures include:

- repeat uses of welfare;
- percentage of former clients who get and keep jobs 6 months, 12 months, 24 months, etc.;
- percentage of former clients who have jobs at or above a living wage (e.g., Statistics Canada's Low Income Cut-off after Tax Measure); and
- percentage of participants employed after leaving welfare.

The Department communicated its measures, baselines, and targets to its senior management and regional managers. It needs to clearly communicate this information to the staff who need to know this information to achieve expected results.

2. **We recommend that the Department of Community Resources and Employment select additional performance measures that directly assess its progress in moving people from welfare to work.**

3. **We recommend that the Department of Community Resources and Employment establish baseline results and targets for each measure.**

4. **We recommend that the Department of Community Resources and Employment communicate to employees its measures, baseline results, and targets.**

As described earlier, the Department is considering adopting several new measures to help it assess the overall impact of its programs.

Obtain relevant and reliable information

We expected the Department to identify the data that it must collect about welfare recipients and other persons seeking financial assistance by:

- *defining the data needed for each measure;*
- *establishing adequate processes for collecting the data; and*
- *ensuring data is reliable.*

Useful data is statistically representative of all welfare recipients and others seeking financial assistance. It is cost effective, accurate, and unbiased. Effective processes for collecting data can include using a *variety of collection methods and data sources. These could include surveys, reviews of internal and external data, and interviews with current and former welfare clients and Department staff. The Department must determine when to collect the data and the periods covered. For example, it will want to collect the same data on the same current and former clients at different intervals to assess the long-term impact of its programs.*

The Department has defined its data needs for most of its current performance measures. It collects this data from its information systems and from other agencies such as Statistics Canada and the Canada Revenue Agency. This data is mostly financial and statistical data that relates to the Department's clients and programs.

The Department has established processes for collecting this data. Like many other public agencies, it does not have adequate quality assurance processes to know the reliability of its data (i.e., the data's validity, accuracy, and completeness).

The Department needs additional data to more directly measure the effectiveness of its welfare to work programs. Additional data could include, for example:

- reasons for leaving welfare (e.g., due to a Department program or initiative),
- length of time off welfare,
- nature and duration of training/education,
- nature and duration of employment, and
- wage levels.

In evaluating possible sources for the above data, the Department will need to weigh the benefits of increased relevance and reliability of the new data against the cost of obtaining it.

Beginning in 2001, the Department conducted surveys of its clients and staff. The purpose of the surveys was to assess the effectiveness of the Call Centre and other new programs and initiatives in helping clients find and keep work. The surveys also assessed the satisfaction of clients and staff with the new programs. Surveys can provide useful information on clients and identify ways to improve program delivery. However, it is often difficult to verify the reliability (i.e., accuracy, validity) of data collected through surveys. For example, client's may not understand some of the survey questions.

5. **We recommend that the Department of Community Resources and Employment collect relevant and reliable information related to its performance measures.**

Analyze the collected information

We expected the Department to analyze the information that it collects to measure the effectiveness of its programs for helping to move people from welfare to work. The Department should:

- *assess data results; and*
- *ensure that the conclusions reached are consistent with the findings.*

A formal plan would aid in the data analysis. Such a plan would set out the analysis objectives, the data required, and the nature and extent of the analysis. Sound plans identify and describe ways to manage challenges and reduce potential risks in doing the analysis.

Analysis of welfare information is complex because factors outside the Department's control affect welfare rates. Evaluation plans should use valid models, policies, and procedures to take into account the impact of external factors like the economy and other government programs.

The Department prepared a good plan to collect and analyze its survey data. It has also done several studies and some regional analysis related to other data collection methods and sources, but needs to do more. The Department told us it recognizes the need to continue to improve its data analysis.

The Department should establish processes for how to evaluate information. Effective processes address various types of analysis and when the analysis needs to be done. For example, the Department could do additional analysis that compares the results of the Department's programs by region in Saskatchewan and with similar programs in other jurisdictions in Canada. The Department has not yet evaluated all of its significant programs.

6. **We recommend that the Department of Community Resources and Employment establish policies and procedures for evaluating data to assess its progress in moving people from welfare to work.**

Report progress

We expected senior management to receive regular reports that allow them to monitor the Department's success in moving people from welfare to work. The reports should:

- *provide useful information to management; and*
- *be reliable and understandable.*

Useful reports are relevant, reliable, understandable, and timely. Such reports explain performance against previously agreed targets. They describe how the Department manages key risks to achieving planned results. The reports show the cost of activities to move people off welfare, the savings from reduced welfare payments, and the benefits and costs to welfare recipients. Useful reports would also include recommendations on how to improve performance.

Senior management receives regular statistical reports that include the following information:

- number of persons on welfare in total and for each of the Department's five regions. Also, numbers and types of families and single persons in total and for each region;

- numbers of employable and partially employable persons on welfare;

- total spending on welfare by each of Saskatchewan's five regions;

- average cost of welfare per person by region and by city; and

- unemployment rates for Saskatchewan and Canada.

The reports show comparative data for the previous year. Long-term information on trends is readily available to senior management.

The Department needs better information to report on the effectiveness of its welfare to work programs. The reports currently provide limited analysis of the reasons for changes in assistance caseloads and do not describe:

- how the Department manages its key risks to achieving planned results;
- the cost/benefit analysis of the welfare to work programs;
- the benefits and costs to welfare recipients who have attained long-term jobs; and
- recommendations on how to improve performance.

7. **We recommend that the Department of Community Resources and Employment prepare reports that show its progress in helping welfare recipients, and others seeking financial assistance, to find and keep work.**

Exhibit 2–Key programs and initiatives that support employment and independence

Contact Centre – This is a centralized first point of contact for clients. Initial eligibility for social assistance or the transitional employment allowance (described later) is determined here based on an assessment of the client's needs. The center also provides referrals and information on alternative programs and services available to clients.

Transitional Employment Allowance – This flat rate benefit is provided as an alternative to social assistance to individuals who are likely to obtain employment in the short term.

JobsFirst – Clients that are assessed by the Contact Center as readily employable and eligible for assistance are referred to a JobsFirst session. The purpose of the session is to aid the client in finding employment.

Career and Employment Services – Offices throughout the province provide information on job opportunities and training/education options to clients.

Transition Planning – This process is used by caseworkers to engage clients in planning for independence and employment.

Provincial Training Allowance – This is a needs-based income support program designed to support low-income individuals participating in employment programs that will assist them to develop work skills and to secure employment.

Employment Programs – These programs provide opportunities to develop the immediate skills and work experience clients need to participate and remain in the labour force.

Employment Supports – These are individual, flexible employment supports that accommodate the needs of persons with disabilities, or other barriers, so that they are able to find and maintain employment.

Specialized Services through Community-based Organizations – These organizations provide specialized career and employment services to multi-barriered clients.

Saskatchewan Employment Supplement – This program provides income support to low income parents who are employed or receiving child maintenance support.

Source: Department of Community Resources and Employment

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Liquor and Gaming Authority

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Liquor and Gaming Authority

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Main points

Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) has now revised its policies to address all of our past recommendations to strengthen its management of public money under Saskatchewan Indian Gaming Authority's (SIGA) control. SIGA proposed and Liquor & Gaming approved all of SIGA's spending and operating policies near the year-end. In addition, Liquor & Gaming established a process to determine if SIGA's expenses are unreasonable and to recover the expenses it considers unreasonable.

Liquor & Gaming reviewed SIGA's expenses for staff travel, promotion and sponsorship to assess the reasonability of those expenses and to ensure compliance with policies Liquor & Gaming approved some three years ago. Liquor & Gaming determined that $480,000 in expenses for 2003-04 did not comply with approved policies or were not reasonable. Liquor & Gaming has begun to recover those expenses.

We continue to recommend that Liquor & Gaming reconcile its recorded bank balances to the bank's records promptly and prepare a complete and appropriate contingency plan.

Introduction

The Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) is a Crown corporation that operates under *The Alcohol and Gaming Regulation Act, 1997*. The mandate of Liquor & Gaming is to develop, support, operate, and regulate the beverage alcohol and gaming industries in the Province. The mandate also requires Liquor & Gaming to maximize public benefit through high quality services and products, and encourage responsible consumption of beverage alcohol and responsible participation in gaming.

Liquor & Gaming operates retail liquor stores and video lottery terminals. It also owns and manages the slot machines at Saskatchewan Indian Gaming Authority's (SIGA) casinos. Under *The Criminal Code of Canada*, only governments can own and manage slot machines. The Government decided to use SIGA to operate the slot machines under Liquor & Gaming's direction. Under the current casino operating arrangements, the revenues from the slot machines belongs to Liquor & Gaming. Also, SIGA must follow policies that Liquor & Gaming approves for incurring casino operating expenses. Liquor & Gaming allows SIGA to deduct expenses that comply with the approved policies from the slot machine revenues. Accordingly, SIGA's expenses that comply with the approved policies are Liquor & Gaming's expenses. Liquor & Gaming includes those revenues and expenses in its financial statements.

In 2003-04, Liquor & Gaming had revenues of $737 million, expenses of $378 million, and net income of $359 million. At year-end, Liquor & Gaming held total assets of $187 million and had an accumulated deficit of $2 million. Liquor & Gaming's Annual Report 2003-04 includes its financial statements.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2004:

- **Liquor & Gaming's financial statements are reliable;**
- **Liquor & Gaming had adequate rules and procedures to safeguard public resources except for the matters described in this chapter; and**

- **Liquor & Gaming complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.**

Management of public money under SIGA's control needs continued careful monitoring

Liquor & Gaming needs to continue to monitor management of public money under SIGA's control.

Under the Casino Operating Agreement[1], the revenues and expenses from the slot machines belong to Liquor & Gaming. The Casino Operating Agreement provides Liquor & Gaming the authority to set SIGA's operating policies, determine what expenses SIGA can reasonably deduct from the slot machine revenues, and approve SIGA's financial and business plans.

Liquor & Gaming decided to have SIGA propose its spending and operating policies to Liquor & Gaming. Liquor & Gaming would then review, amend if necessary, and approve those policies. SIGA has proposed all of its spending and operating policies. At year-end, Liquor & Gaming completed its review and approved all of these policies. Now Liquor & Gaming needs to ensure that SIGA complies with the approved policies.

The Exhibit on page 163 lists the recommendations we made for Liquor & Gaming to strengthen its management of public money under SIGA's control and their status at March 31, 2004. We are pleased that at year-end, Liquor & Gaming revised its policies to address all of our past recommendations. Next year, we will assess Liquor & Gaming's compliance with these revised policies.

We describe below what Liquor & Gaming has done to ensure the proper management of public money under SIGA's control for the year ended March 31, 2004.

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[1] The Casino Operating Agreement is an agreement between Liquor & Gaming and SIGA setting out terms and conditions for operating SIGA casinos. The Agreement expires on June 11, 2027.

Setting spending policies and casino operating policies

In our previous reports to the Legislative Assembly, we said that if SIGA is to continue to operate slot machines in its casinos for Liquor & Gaming, it must ensure SIGA uses good practices to manage public money. We made recommendations to improve SIGA's practices (The Exhibit on page 175). Those recommendations require SIGA to establish appropriate operating policies and procedures, get Liquor & Gaming's approval, and then ensure that the staff follow those policies and procedures.

As stated earlier, at March 31, 2004, SIGA has proposed and Liquor & Gaming has approved all of SIGA's spending and operating policies. Because Liquor & Gaming approved those policies near the end of SIGA's fiscal year, Liquor & Gaming could not ensure that SIGA followed those policies during the year. Accordingly, Liquor & Gaming may have paid for expenses that are not reasonable for operating the slot machines at SIGA's casinos.

Recovering unreasonable expenses

In our 2003 Report – Volume 3 and previous reports, we recommended that Liquor & Gaming audit SIGA's expenses frequently and recover money for expenses that do not comply with approved spending policies. In June 2004, PAC agreed with our recommendation. Because SIGA has no money of its own, the 2002 Framework Agreement[2] allows the Government to recover money from the First Nations Trust Fund (formerly, First Nations Fund).

We are pleased that Liquor & Gaming has now established a policy to more frequently audit SIGA's expenses, determine expenses that it considers unreasonable and to recover those expenses from future payments to the First Nations Trust Fund. Next year, we will assess how well Liquor & Gaming implements this new policy.

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[2] The 2002 Framework Agreement is an agreement between the Government of Saskatchewan and the Federation of Saskatchewan Indian Nations. The Agreement sets out terms and conditions for permitting the development and operation of casinos in Saskatchewan within the parameters of *The Criminal Code of Canada*. The Agreement expires on June 11, 2027.

Liquor & Gaming has completed a review of SIGA's expenses for 2003-04 for staff travel, promotion and sponsorship. Liquor & Gaming reviewed those expenses to assess the reasonability of those expenses and SIGA's compliance with policies Liquor & Gaming approved three years ago.

Liquor & Gaming determined that SIGA has charged Liquor & Gaming with expenses totalling $480,000 that do not comply with approved policies or are unreasonable. Liquor & Gaming has begun the process to recover its portion of this amount.

Electronic gaming devices need proper testing

Electronic gaming devices i.e., slot machines and video lottery terminals (VLTs) need proper testing before making them available for public use.

In our 2003 Report – Volume 3 and previous reports, we recommended that Liquor & Gaming:

- establish standards for independent testing laboratories to use when testing slot machines and VLTs; and
- ensure that the laboratories use those standards to test Liquor & Gaming's slot machines and VLTs.

PAC considered this matter in May 2003 and agreed with our recommendations.

Liquor & Gaming established and approved standards for testing electronic gaming devices during 2004. However, Liquor & Gaming did not provide these standards to the independent testing laboratories to use when testing Liquor & Gaming's slot machines and VLTs. Also, Liquor & Gaming needs to ensure that the laboratories use the approved standards to test Liquor & Gaming's slot machines and VLTs.

We continue to recommend that Liquor & Gaming ensure that the laboratories use the approved standards to test Liquor & Gaming's slot machines and VLTs.

Management told us that it provided the independent testing laboratories with the established standards in April 2004 and the laboratories are using those standards to test Liquor & Gaming's slot machines and VLTs.

Better control over bank accounts needed

Liquor & Gaming needs to improve its control over its bank accounts.

Liquor & Gaming's established rules require staff to agree (reconcile) its recorded bank balances to the bank's records each month. The rules also require management to review and approve the reconciliations. Regular reconciliation of recorded bank balances to the bank's records provides a check that all charges to the bank accounts are proper. It also provides a check on the accuracy and reliability of Liquor & Gaming's accounting records.

During the year, Liquor & Gaming did not reconcile its bank accounts promptly. Some bank reconciliations were not completed and reviewed for six months. At year-end, Liquor & Gaming reconciled all recorded bank balances to the bank's records.

We reported this matter in our 2003 Report – Volume 3. PAC considered this matter in June 2004 and agreed with our recommendation.

We continue to recommend that Liquor & Gaming follow its rules and procedures to reconcile its recorded bank balances to the bank's records promptly.

Management told us that it would ensure that staff follow the established rules and procedures to reconcile the recorded bank balances to the bank's records promptly.

Contingency plan needed

Liquor & Gaming needs to prepare a contingency plan for its computer systems and test the plan to ensure it works.

A contingency plan is important to Liquor & Gaming because it is dependent upon its computer systems. To provide continuous services, Liquor & Gaming must ensure its systems and data are available when needed. The contingency plan should cover all significant information technology operations based on the importance of each program and service.

A contingency plan is an important part of an agency's business interruption plans. Business interruption plans reduce the risks resulting from business disruptions due to unforeseen incidents including systems failure. Liquor & Gaming needs a written and tested contingency plan to ensure the recovery of systems and data in case Liquor & Gaming's electronic systems fail, or if key service providers' systems fail.

In prior years, Liquor & Gaming established some procedures to recover data and programs in case of systems failure. During the year, Liquor & Gaming appointed a project leader and developed terms of reference for a business continuity planning project. However, Liquor & Gaming does not yet have a complete and tested contingency plan. Once the plan is completed, the Board should approve it.

We reported this matter in our 1998 Fall Report – Volume 2 and later reports. PAC considered this matter in January 1999 and agreed with our recommendation.

We continue to recommend that Liquor & Gaming prepare a complete written contingency plan based on a risk analysis and test that plan to ensure it works.

Exhibit

Status of our past recommendations for Liquor & Gaming to strengthen management of public money under SIGA's control as at March 31, 2004.

Recommendations relating to SIGA's management of public money	Year First Reported	Implemented	Partially Implemented	Not Implemented
1. Liquor & Gaming direct SIGA's Board to allow us full access to do our work directly	2000 Fall Report – Volume 2	✓		
2. Liquor & Gaming determine what SIGA payments to date (November 15, 2000) are not reasonable deductions from public money and recover that money as provided by the agreements.	2000 Fall Report – Volume 2	✓		
3. Liquor & Gaming ensure SIGA implements the recommendations we make in our 2000 Fall Report – Volume 2, and ensure it has necessary resources to frequently audit SIGA.	2000 Fall Report – Volume 2	✓		
4. Liquor & Gaming frequently audit SIGA's operations to ensure: - SIGA complies with the Framework and Casino Operating Agreements; and - SIGA incurs and deducts only reasonable expenses from public money.	2000 Fall Report – Volume 2	✓		
5. Liquor & Gaming recover any expenses that are not reasonable (ongoing basis).	2000 Fall Report – Volume 2	✓		
6. Liquor & Gaming make public a list of persons who received public money from SIGA following the Standing Committee on Public Account's recommendations.	2000 Fall Report – Volume 2	✓		
7. Liquor & Gaming prepare a formal training plan for its staff and should co-ordinate work among its branches.	1999 Spring Report	✓		
8. Liquor & Gaming work with SIGA to establish appropriate governance and conflict of interest policies for SIGA casinos.	1999 Spring Report	✓		
9. Liquor & Gaming ensure inspections/audits are completed as planned or document why the plan was changed.	1999 Spring Report	✓		

Recommendations relating to SIGA's management of public money	Year First Reported	Implemented	Partially Implemented	Not Implemented
10. Liquor & Gaming document procedures for reporting and following up its audit/inspection findings with SIGA.	1999 Spring Report	✓		
11. Liquor & Gaming receive and formally approve SIGA's casino operating policies and procedures on a timely basis.	1999 Spring Report	✓		
12. Liquor & Gaming work with SIGA to establish an internal audit function at SIGA.	1999 Spring Report	✓		
13. Liquor & Gaming receive and approve SIGA's budget on a timely basis and should have procedures for approving changes to the budget.	1999 Spring Report	✓		

Saskatchewan Indian Gaming Authority Inc.

5B

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Main points

Saskatchewan Indian Gaming Authority (SIGA) is making progress towards addressing all our past recommendations. During the year, SIGA proposed most of its spending policies to Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) for approval. We commend SIGA for doing so. However, because SIGA's spending policies were not in place until close to the year-end, it continued to make payments without due care during the year and the weaknesses we reported in our prior reports continued during the year.

Liquor & Gaming told us that at year-end or shortly after, it had approved all spending policies for SIGA. SIGA now needs to train staff so that they can comply with the approved policies. SIGA needs to pay more attention to ensuring compliance. Some of SIGA's approved spending policies have been in place for more than three years, but SIGA's compliance with those policies is poor.

Liquor & Gaming recently completed a review of SIGA's spending on staff travel, sponsorship, and promotion and determined that SIGA incurred expenses totalling $480,000 that do not comply with approved policies or are unreasonable. Liquor & Gaming is recovering its portion of these expenses from the First Nations Trust Fund. First Nation people bear the cost of SIGA's misspending because SIGA belongs to them.

Introduction

The Saskatchewan Indian Gaming Authority Inc. (SIGA) is a non-profit corporation established under *The Non-Profit Corporations Act, 1995*. The members of SIGA are the Federation of Saskatchewan Indian Nations (FSIN), the Tribal Councils of Saskatchewan, and independent First Nations. SIGA is licensed to operate four casinos (Northern Lights Casino in Prince Albert, Gold Eagle Casino in North Battleford, Painted Hand Casino in Yorkton, and Bear Claw Casino at the White Bear reserve) in Saskatchewan. Those casinos provide table games, slot machines, and other hospitality services (ancillary operations) to the public.

Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) licenses SIGA to conduct and manage table games. SIGA is required to use the net profits from the operations of licensed table games for First Nations' charitable or religious purposes.

As required by section 207 of *The Criminal Code of Canada*, Liquor & Gaming owns the slot machines located in SIGA's casinos. The revenue from the slot machines belongs to Liquor & Gaming and is, therefore, public money. SIGA is allowed to deduct reasonable costs of operating casinos, as determined by Liquor & Gaming, from the slot machine revenues. SIGA is required to remit the remainder to Liquor & Gaming.

Under the 2002 Casino Operating Agreement[1], SIGA is also entitled to recover, in any year, any net loss from the operation of licensed table games and ancillary operations from the net income earned from the operation of slot machines.

For the last five years, SIGA reported the following net casino profits and losses for Liquor & Gaming. The casino operations include slot machines, table games, and ancillary (i.e., gift shops, restaurants and lounges).

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[1] The 2002 Casino Operating Agreement is an agreement between Liquor & Gaming and SIGA setting out terms and conditions for operating SIGA casinos. The Agreement expires on June 11, 2027.

Table 1 – Net profits (losses) from SIGA's casinos

Segment	2004	2003	2002	2001	2000
	(in thousands)				
Slot operations	$ 35,843	$ 32,146	$ 26,855	$ 21,290	$ 15,705
Ancillary operations	(1,976)	(1,742)	(1,400)	(2,009)	(1,830)
Table operations	(687)	(1,036)	(620)	(638)	(491)
Total	$ 33,180	$ 29,368	$ 24,835	$ 18,643	$ 13,384

Table 1 shows that over the last three years the net profits from slot operations increased by about $9 million. The net profits from slot machines increased because over the last two years, Liquor & Gaming has installed more slot machines in SIGA casinos. Slot machines in SIGA casinos increased from 620 in 2002 to 995 in 2004. The total slot machine revenue increased from $68 million in 2002 to $89 million in 2004. For the same period, SIGA's slot machine expenses increased from $41.2 million to $52.7 million in 2004.

Background

In February 1995, the Government of Saskatchewan and the FSIN made an agreement called the 1995 Framework Agreement that permitted the development and operation of casinos in Saskatchewan within the parameters of *The Criminal Code of Canada*. The 1995 Framework Agreement expired, and on June 11, 2002, the Government of Saskatchewan and the FSIN signed a new Framework Agreement (2002 Framework Agreement[2]) effective from June 11, 2002 to June 11, 2027.

To implement the 1995 Framework Agreement, Liquor & Gaming and SIGA signed a Casino Operating Agreement in November 1995. The Casino Operating Agreement expired with the 1995 Framework Agreement. On June 11, 2002, Liquor & Gaming and SIGA signed a new Casino Operating Agreement (2002 Casino Operating Agreement) effective from June 11, 2002 to June 11, 2027.

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[2] The 2002 Framework Agreement sets out terms and conditions for permitting the development and operation of casinos in Saskatchewan within the parameters of *The Criminal Code of Canada*. The Agreement expires on June 11, 2027.

SIGA operates four casinos under the terms of the 2002 Casino Operating Agreement. All four casinos are located on reserves. Liquor & Gaming is responsible for the overall conduct and management of the slot machines in those casinos as required under *The Criminal Code of Canada*.

Liquor & Gaming expects SIGA to propose spending and casino operating policies for Liquor & Gaming's approval. Under the 2002 Casino Operating Agreement, SIGA is entitled to deduct the casinos' operating expenses, incurred in accordance with the operating policies and directives approved by Liquor & Gaming, from slot machine revenues. SIGA is required to deposit the remainder into a trust account for Liquor & Gaming in accordance with the process specified in the 2002 Casino Operating Agreement.

When Liquor & Gaming determines that any expenses that SIGA has incurred are not reasonable (i.e., expenses that did not follow the approved policies and directives), it recovers such expenses from future amounts due to the First Nations Trust Fund (formerly, First Nations Fund). Liquor & Gaming does so because SIGA has no money of its own. SIGA has no money of its own because revenues from the slot machines belong to Liquor & Gaming and SIGA must use any net income from the licensed table games for charitable or religious purposes. As a result, First Nations people bear the cost when SIGA incurs unreasonable expenses because SIGA belongs to them.

We audit SIGA for the Legislative Assembly because SIGA handles public money for Liquor & Gaming. Also, Liquor & Gaming directed SIGA's members to appoint the Provincial Auditor as SIGA's auditor. SIGA's members did so.

Our audit conclusions

In our opinion, for the year ended March 31, 2004:

- **SIGA's consolidated financial statements are reliable;**
- **SIGA did not have adequate rules and procedures to safeguard public resources because of the matters reported in this chapter; and**

- **SIGA complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter.**

Safeguarding public money

In our 2000 Fall Report – Volume 2 and later reports, we made several recommendations to strengthen SIGA's rules and procedures to safeguard public money. SIGA accepted our recommendations.

In November 2000, to ensure effective implementation of our recommendations, Liquor & Gaming set and communicated priorities (Directives) to SIGA. One of those Directives requires SIGA to accept and implement new policies and procedures mandated by Liquor & Gaming. The 2002 Casino Operating Agreement requires SIGA to comply with those Directives by August 15, 2005. The Agreement also requires SIGA to sustain that compliance for at least two consecutive years. If SIGA does not meet these conditions, Liquor & Gaming may not allow SIGA to continue to operate Liquor & Gaming's slot machines.

At March 31, 2004, SIGA has not fully addressed all of our past recommendations. As we state later, Liquor & Gaming approved most of SIGA's spending policies close to the year-end. Because SIGA's spending policies were not in place until close to the year-end, SIGA continued to make payments without due care and the weaknesses we reported in our prior reports continued. The Exhibit on page 175 summarizes our past recommendations and the status of the implementation of those recommendations as of March 31, 2004. The Exhibit shows that many of our recommendations are still not fully implemented.

Liquor & Gaming expected SIGA to propose spending policies for Liquor & Gaming's approval. SIGA has worked actively to propose policies to address our past recommendations. Liquor & Gaming told us that at year-end or shortly after, SIGA proposed and Liquor & Gaming approved all spending policies for SIGA. We commend SIGA for doing this. Now, SIGA needs to train staff so they can comply with those policies. Also, SIGA needs to ensure all staff comply with the approved policies and take appropriate action when they do not.

SIGA needs to pay more attention to ensuring compliance. Some of SIGA's approved spending policies have been in place for more than three years, but SIGA's compliance with those approved policies is poor.

We noted many instances where managers approved transactions (e.g., sponsorship requests, promotion requests) that did not comply with the approved policies or were inappropriate business expenses. Managers knew, or should have known, that the proposed transactions did not comply with the approved policies or were inappropriate business expenses. However, managers routinely approved those transactions. This sends a message to staff that non-compliance with approved policies is acceptable. We also noted instances where senior officials approved middle managers' expense claims that did not comply with the approved policies. Such approvals encourage managers to tolerate non-compliance with the approved policies.

On November 9, 2004, management told us that SIGA has now clarified spending policies to staff and has taken steps to ensure staff comply with those policies. We will report next year how well SIGA's staff comply with the approved spending policies.

Liquor & Gaming has now completed a review of SIGA's spending for 2003-04 on staff travel, sponsorship, and promotion. Liquor & Gaming determined SIGA incurred expenses totalling $480,000 that do not comply with the approved policies or are unreasonable. Liquor & Gaming is recovering its portion of these expenses from the First Nations Trust Fund.

In the rest of this chapter, we provide examples of those expenses.

Staff travel and business expenses

SIGA has established a travel and business expense policy that Liquor & Gaming has approved. The policy sets out authorized rates for meals, transportation, and hotels. Staff often did not comply with the approved travel and business expense policy. As a result, SIGA spent approximately $70,000 for travel and business expenses that did not comply with the approved policy or were unreasonable.

For example, SIGA's travel policy requires staff to stay in standard rooms at non-luxury hotels at corporate rates. We found many instances where staff stayed in suites and/or non-standard rooms without prior approval. Also, staff claimed and received meal expenses in excess of approved rates and without proper approval.

In addition, staff did not always document the business purpose for their travel. For example, SIGA paid approximately $7,000 for hotel rooms, meals, and concert tickets for a trip to Calgary for seventeen senior staff. SIGA also paid approximately $2,500 in hotel and ticket costs for eight senior staff to attend the Canadian Country Music Awards in Calgary. SIGA could not provide us a business purpose for these expenses.

Also, senior management often paid and claimed reimbursement for entertaining others at various clubs and restaurants without documenting the business reasons for such meetings.

Marketing, promotion, and sponsorships

An organization's marketing plan would include strategies and action plans to maintain or enhance its market share, and to introduce new or changed products to the public. Marketing plans include an organization's public relations and publicity strategies. Marketing activities can be directed toward the public at large, specific individuals or groups of individuals, and to fulfil the organization's responsibility as a good corporate citizen. These activities are called general marketing, promotions, and sponsorship respectively. Organizations expect spending on general marketing to enhance their revenues. However, spending on promotion and sponsorships are not always expected to result in increased revenues.

Liquor & Gaming approved SIGA's general marketing and promotion policies near the year-end. However, Liquor & Gaming provided a policy for sponsorship in November 2000. SIGA did not always comply with that policy. Because during the year SIGA did not have approved marketing policies, it incurred unreasonable expenses. We provide below examples of spending on event tickets, golf events, promotional merchandise, and sponsorship that did not comply with approved policies or were unreasonable.

Event tickets

In 2003-04, SIGA purchased approximately 3,500 tickets for various events such as concerts, sporting events, and fundraising events. SIGA also paid for food and beverages at many of these events.

At times, members of SIGA's senior management, selected guests, and customers attended those events. SIGA could not always provide us documented evidence of who attended those events and the business purpose for attending those events. As a result, SIGA incurred unreasonable expenses totalling approximately $112,000 in 2003-04 for such events, including food and beverages.

Golf events and promotional merchandise

Generally, the gaming industry uses promotional merchandise to promote or market gaming products and casinos. Casinos keep track of such promotional items given out. SIGA also uses promotional merchandise to promote its casinos. However, SIGA could not always tell us who received the promotional items it gave away and why. Also, SIGA could not tell us the reason for buying golf clubs for staff.

As a result, the following expenses for 2003-04 are unreasonable:

- Approximately $95,000 for golf tournament entry fees, and golf promotional merchandise.
- Approximately $20,000 for golf clubs for a former general manager and other staff members.
- Approximately $81,000 for leather jackets, fleeces, and t-shirts.

Sponsorships

SIGA has established a sponsorship policy that Liquor & Gaming has approved. However, staff did not always comply with the approved sponsorship policy. As a result, SIGA spent approximately $100,000 in 2003-04 for sponsorships that did not comply with the approved policy.

For example, we found SIGA paid approximately $7,500 to sponsor a hockey team that did not meet the conditions set out in the approved policy. We also found numerous other instances where SIGA sponsored other teams and individuals that did not meet the conditions set in the approved policy.

We also noted many instances where the sponsorship applicants did not apply in writing or submitted incomplete applications. Nor did we always find evidence that SIGA had ensured that the money paid was used for the purposes intended.

Compliance with authorities needed

SIGA did not comply with the 2002 Casino Operating Agreement and *The Non-profit Corporations Regulations, 1997* regarding timely audited financial statements.

The 2002 Casino Operating Agreement requires SIGA to provide Liquor & Gaming with audited financial statements by June 30 each year. *The Non-profit Corporations Regulations, 1997* require SIGA to provide its annual audited financial statements in the form requested by the Director of the Corporations Branch (Director) of the Department of Justice. The Director has set July 31 each year as the due date for these financial statements.

SIGA did not provide audited financial statements for the year ended March 31, 2003 to Liquor & Gaming until July 23, 2003 and did not provide these financial statements to the Director until August 20, 2003. At November 9, 2004, SIGA had not provided the audited financial statements for the year ended March 31, 2004 to Liquor & Gaming and the Director.

Accordingly, SIGA did not comply with the 2002 Casino Operating Agreement and *The Non-profit Corporations Regulations, 1997*.

1. **We recommend that the Saskatchewan Indian Gaming Authority Inc. provide annual audited financial statements to the Saskatchewan Liquor and Gaming Authority and the Director of the Corporations Branch in accordance with the 2002 Casino Operating Agreement and *The Non-profit Corporations Regulations, 1997*.**

Management told us SIGA has requested an extension for the year ended March 31, 2004 from the Department of Justice (Corporations Branch).

Exhibit

Status of the implementation of our past recommendations as at March 31, 2004.

Recommendations	Year First Reported	Date policy/info sent to Liquor & Gaming	Date policy/info approved by Liquor & Gaming	Implemented	Partially Implemented	Not Implemented
1. SIGA should establish a proper code of conduct and that code of conduct should be appropriate for managing public money.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
2. SIGA should document and communicate to its senior management the goals and objectives of SIGA	2000 Fall Report – Volume 2	2004 – 2007 Strategic Plan – March 2004	March 2004		✓	
3. SIGA's Board should establish an appropriate conflict-of-interest policy for Board members and management.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
4. SIGA's Board should ensure all Board members and senior management comply with the established conflict-of-interest policy.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
5. SIGA should prepare a complete business and financial plan for its operations.	2000 Fall Report – Volume 2	2004/05 business plan – March 2004	March 2004	✓		

Recommendations	Year First Reported	Date policy/info sent to Liquor & Gaming	Date policy/info approved by Liquor & Gaming	Implemented	Partially Implemented	Not Implemented
6. SIGA's Board should define its management reporting needs and communicate those needs to management for regular reporting.	2000 Fall Report – Volume 2					
- Financial reporting		N/A	N/A	✓		
- Performance reporting						✓
7. SIGA should establish an independent internal audit function that should report directly to the Board.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
8. SIGA should report publicly through FSIN and Liquor & Gaming setting out SIGA's planned results and actual results.	2000 Fall Report – Volume 2	N/A	November 2000 Directive			✓
9. SIGA should make public through FSIN and Liquor & Gaming a list of persons (e.g., employees, suppliers) who have received money from SIGA and the amount each person received.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
10. SIGA's Board should establish appropriate delegation of authority rules for management.	2000 Fall Report – Volume 2	N/A	November 2000 Directive		✓	

Recommendations	Year First Reported	Date policy/info sent to Liquor & Gaming	Date policy/info approved by Liquor & Gaming	Implemented	Partially Implemented	Not Implemented
11. SIGA should establish written policies for management and staff pay, benefits, professional development, and performance evaluation.	2000 Fall Report – Volume 2	Senior Mgt. Wage Grid – May 2003 Cell phones and Vehicles – July 2003, various other policies – March 2004	December 2003 & March 2004		✓	
12. SIGA should establish an appropriate travel policy for Board members and executive management expenses including spousal travel, business expenses, and travel advances.	2000 Fall Report – Volume 2	N/A	November 2000 Directive		✓	
13. SIGA should establish adequate policies and procedures to ensure its books and records reflect its business operations and there is support for all transactions.	2000 Fall Report – Volume 2	September 2003 & January 2004	December 2003 & February 2004			✓
14. SIGA should establish appropriate written policies and procedures for tendering and awarding contracts.	2000 Fall Report – Volume 2	N/A	November 2000 Directive	✓		

Recommendations	Year First Reported	Date policy/info sent to Liquor & Gaming	Date policy/info approved by Liquor & Gaming	Implemented	Partially Implemented	Not Implemented
15. SIGA should establish appropriate policies and procedures for its marketing, promotion, and sponsorship activities. Those policies and procedures should include a clear definition of marketing and promotion activities and an approval process for sponsoring community events.	2000 Fall Report – Volume 2	Marketing & promotion policies – March 2004 Sponsorship – N/A	March 2004 November 2000 Directive for sponsorship			✓
16. SIGA should establish rules and procedures to ensure that only authorized persons can access its financial systems.	2001 Fall Report – Volume 2	N/A	N/A	✓		
17. SIGA should properly segregate the duties of its employees.	2001 Fall Report – Volume 2	September 2003	December 2003			✓
18. SIGA should establish rules and procedures to ensure compliance with the Casino Operating Agreement.	2001 Fall Report – Volume 2	N/A	N/A		✓	
19. SIGA should incur only costs necessary to operate its casinos under the Casino Operating Agreement.	2002 Fall Report – Volume 2	N/A	N/A		✓	
20. SIGA should ensure the staff comply with the sponsorship policy.	2002 Fall Report – Volume 2	N/A	November 2000 Directive			✓

Recommendations	Year First Reported	Date policy/info sent to Liquor & Gaming	Date policy/info approved by Liquor & Gaming	Implemented	Partially Implemented	Not Implemented
21. SIGA should establish rules and procedures to ensure that staff comply with its delegation of authority policy.	2002 Fall Report – Volume 2	N/A	November 2000 Directive		✓	
22. SIGA should: -periodically monitor the actual house advantage for table games to ensure games are being played in accordance with approved rules; and -establish appropriate rules and procedures to monitor expected and actual revenue of table games and communicate these to casino staff.	2002 Fall Report – Volume 2	N/A	N/A		✓	
23. SIGA should comply with the terms and conditions of its gaming licence.	2002 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
24. SIGA should comply with its annual report policy.	2002 Fall Report – Volume 2	N/A	November 2000 Directive	✓		
25. SIGA should amend its agreement with the internal auditor to allow us full access to the internal auditor's files and records.	2003 Report – Volume 3	N/A	N/A	✓		

Recommendations	Year First Reported	Date policy/info sent to Liquor & Gaming	Date policy/info approved by Liquor & Gaming	Implemented	Partially Implemented	Not Implemented
26. SIGA should: -complete and implement its human resource plan; -ensure its casinos consistently follow established human resource policies; -prepare and provide to the Board more information about how SIGA is managing its staff retention risks; -prepare and provide to the Board more information about the effectiveness of SIGA's training activities.	2003 Report – Volume 3	N/A	N/A	**Not evaluated as part of current year audit because SIGA needs time to address these recommendations**		

Finance

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Main points

The General Revenue Fund's (GRF) 2004 financial statements are not reliable because Finance used accounting practices that are not in accordance with Canadian generally accepted accounting principles for the public sector. They do not record the GRF's pension liability of $4 billion, and understate the year's pension costs by $47 million. The statements also inappropriately record a $211 million transfer from the Fiscal Stabilization Fund as revenue and $32 million as loans receivable from Crown corporations.

We have significant concerns with the GRF financial statements because the Government uses the GRF's annual surplus or deficit as one of its key performance indicators. In March 2004, the Government presented a summary financial plan for the entire Government as part of the 2004-05 budget and performance summary. We encourage the Government to report on its performance using this summary financial plan together with its summary financial statements, rather than using the GRF statements.

Finance is replacing its financial and human resources computer system. Part of the new system is a new cash management module. Finance installed and operated this module without enough testing or documenting the procedures for reconciling the main bank account. As a result, Finance was unable to reconcile the main bank account's recorded bank balance to bank records for a year.

Introduction

The Department of Finance (Finance) helps the Government and the Legislative Assembly manage and account for public money. It controls spending from the General Revenue Fund (GRF) and ensures that the GRF receives all revenue due to it. In addition, Finance prepares the Government's summary financial statements.

Finance:

- prepares the annual Budget Address, Estimates, and Public Accounts;
- arranges government financing, banking, investing, and borrowing;
- provides policy and financial analysis to Treasury Board and Executive Council;
- develops tax policy alternatives;
- administers various tax, grant, and refund programs;
- provides economic forecasting and economic, social, and statistical data;
- administers public sector pension and benefit plans; and
- leads the Government's accountability project.

In 2004, Finance spent $1.1 billion and collected revenue of $5.3 billion. Revenue includes $297 million of debt costs recovered from Crown agencies.

Special purpose funds and Crown agencies

Finance is responsible for the following special purpose funds and Crown agencies.

Year-end March 31

General Revenue Fund (GRF)
Fiscal Stabilization Fund[1]
Public Employees Benefits Agency Revolving Fund
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund

Year-end December 31

Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Retired Employees
Extended Health Care Plan for Certain Other Retired Employees
Municipal Employees' Pension Commission
Municipal Financing Corporation of Saskatchewan
Public Employees Deferred Salary Leave Fund
Public Employees Disability Income Fund
Public Employees Dental Fund
Public Employees Group Life Insurance Fund
Saskatchewan Pension Plan
SaskPen Properties Ltd.[2]

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[1] Finance does not prepare financial statements for this Fund. As required by *The Fiscal Stabilization Fund Act*, a schedule of transfers and accumulated balance appears in Public Accounts Volume 1.

[2] The Government denied us access to this Crown agency; therefore, we could not audit the agency (see Chapter 8 of our 1999 Fall Report – Volume 2 for further discussion of the matter).

Financial overview

The following is a list of Finance's major programs and spending for the year ended March 31, 2004. The financial information is from the *Estimates 2003-2004*, *Public Accounts 2003-2004: Volume 1: Main Financial Statements* (see http://www.gov.sk.ca/finance/paccts) and *Saskatchewan Finance's Annual Report 2003-2004*.

	Original Estimates	Actual
	(in millions of dollars)	
Interest-GRF Debt	$ 650	$ 603
Interest-Crown Corporation Debt	298	297
Total Interest on Debt	948	900
Pensions and Benefits	200	197
Administration	40	39
	$ 1,188	$ 1,136

The following is a list of Finance's major revenue sources.

	Original Estimates	Actual
	(in millions of dollars)	
Individual Income Tax	$ 1,275	$ 1,246
Interest-Crown Corporations	298	297
Sales Tax	852	855
Transfers-Canada Health and Social Transfer	688	751
Transfers-Equalization	172	41
Fuel Taxes	350	357
Corporation Taxes	704	682
Tobacco Taxes	167	177
Income from Government Entities	591	606
Motor Vehicle Fees	122	119
Other	126	221
	$ 5,345	$ 5,352

Key risks

We identified the key risks Finance must manage well to be successful. It must:

- give Treasury Board accurate and useful information to enable it to develop, manage, and evaluate the Government's fiscal plan;
- publish useful planning and performance reports;
- manage the Government's debt;
- manage investments;
- collect revenues due to Finance;
- manage several government pension and benefit plans; and
- ensure designated government entities comply with Treasury Board's directives.

Our audit conclusions and findings

This chapter contains our audit conclusions and findings on Finance, its special purpose funds, and its Crown agencies for the year ended March 31, 2004.

In our opinion:

- **the Government's summary financial statements, included in the Public Accounts 2003-2004 Volume 1 are reliable;**
- **the financial statements for the special purpose funds and Crown agencies listed above that we audited are reliable except for the GRF;**
- **the GRF's financial statements included in the Public Accounts 2003-2004 Volume 1 are reliable except that the transfer to the Fiscal Stabilization Fund, loans receivable**

from Crown corporations, and all pension costs are not properly recorded;

- **Finance and its Crown agencies that we audited had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter; and**

- **Finance and its Crown agencies that we audited complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing except where we report otherwise in this chapter.**

In addition, the law requires us to report when a special warrant approved the payment of public money. For the year ended March 31, 2004, the Government approved the spending of $207.4 million by special warrant. It later included these special warrants in an appropriation act.

GRF financial statements not reliable

Our auditor's report on the GRF's financial statements for the year ended March 31, 2004 warns readers that the financial statements do not include all of the Government's financial activities. Therefore, readers should not use the GRF's statements to understand and assess the Government's overall performance. The appropriate financial statements to use for that purpose are the Government's summary financial statements.

In addition, our auditor's report on the GRF's financial statements for the year ended March 31, 2004 includes three reservations. The financial statements are not reliable because they do not properly record transfers to the Fiscal Stabilization Fund, loans receivable from Crown corporations, and pension costs.

The combined effects of these reservations are as follows:

- the transfer from the Fiscal Stabilization Fund of $211 million overstates revenue by $211 million;
- transfers to Crown corporations, improperly recorded as loans, understate expenditures by $12 million;

- pension expenditures are understated by $47 million; and
- liabilities are understated by $4.0 billion, assets by $0.3 billion, and the accumulated deficit by $3.7 billion.

As well, the financial information reported in Volume 2 of the Public Accounts 2003-04 and some department annual reports is not reliable because it is based on the information reported in the GRF financial statements.

For the reservation related to transfers to Crown corporations improperly recorded as loans, Saskatchewan Agriculture, Food, and Rural Revitalization's annual report 2003-2004 understates crop insurance expenditures by $12 million.

For the reservation related to pension expenditures, Saskatchewan Learning's annual report 2003-2004 overstates expenditures by $11 million for teachers' pensions and benefits. Saskatchewan Finance's annual report 2003-2004 understates expenditures by $58 million for pension plans managed by the Public Service Superannuation Board.

Fiscal Stabilization Fund reservation

The Government records transactions between the GRF and the Fiscal Stabilization Fund (Fund) as GRF revenue or expenditure. The substance of the transactions between the GRF and the Fund is that amounts owed by the GRF to the Fund must be repaid to the GRF by the Fund. Canadian generally accepted accounting principles (GAAP) for the public sector do not allow the GRF to record changes in the amounts due to the Fund as revenues or expenditures of the GRF. The Government acknowledges that it does not follow GAAP for transfers to and from the Fund.

The GRF's 2004 financial statements show a liability of $366 million owed to the Fund, a decrease of $211 million from 2003. The GRF records this decrease as revenue. It is not appropriate to record the $211 million as revenue because it is not revenue earned by the GRF. Instead of recording revenue of $211 million, the GRF should show an asset of $366 million owed from the Fund.

The effects of not properly reporting this asset are as follows:

- revenue is overstated by $211 million;
- surplus for the year is overstated by $211 million;
- assets are understated by $366 million; and
- accumulated deficit is overstated by $366 million.

The Legislative Assembly created the Fund in April 2000. The Fund's stated purpose is to stabilize the fiscal position of the Government from year to year. However, making transfers from one fund to another, and back again, has no effect on the Government's overall annual surplus (deficit) and accumulated deficit. The Government's total accumulated deficit of $9.3 billion is unaffected. Therefore, the only consequence of recording these transactions in the GRF's financial statements is that the actual amount of the GRF's surplus changes to another amount chosen by the Government. This is worrisome because the Government uses the amount of the GRF's annual surplus or deficit as one of its key performance indicators.

In previous years, we recommended that the GRF's financial statements should record transfers to the Fund as an asset, not as an expenditure and any transfers back to the GRF as a reduction of that asset, not as revenue.

In February 2002, the Standing Committee on Public Accounts (PAC) considered this matter and disagreed with our recommendation.

We continue to recommend that the General Revenue Fund's financial statements record transfers in accordance with Canadian generally accepted accounting principles for the public sector.

Loans receivable reservation

The GRF's financial assets include loans receivable from Crown corporations of $3.6 billion. In one case, the Crown corporation can only repay the loans due to the GRF if the Government gives it the money from the GRF to do so. GAAP for the public sector requires the Government to record such transactions as expenditures and not as loans receivable.

At March 31, 2003, loans receivable from Crown corporations included $58 million that corporations could not repay unless the Government gave them the money to do so. The loans were from the Education Infrastructure Financing Corporation (EIFC) and the Saskatchewan Crop Insurance Corporation (SCIC).

At March 31, 2004, the GRF financial statements correctly record the cost of education capital projects as expenditures (previously recorded as loans due from EIFC). However, loans receivable still include an amount due from Saskatchewan Crop Insurance Corporation that it cannot repay unless the Government gives it the money to do so. The effect of not properly recording this transaction is as follows:

- expenditures are understated by $12 million;
- surplus for the year is overstated by $12 million;
- loans receivable are overstated by $32 million; and
- accumulated deficit is understated by $32 million.

In our 2003 Report-Volume 3, we recommended that the Government account for loans to Crown corporations in accordance with Canadian GAAP for the public sector.

In September 2004, PAC considered this matter, agreed with our recommendation, and notes that, "the loans to Education Infrastructure Financing Corporation have now been written off and that the Standing Committee on Public Accounts believes that the Saskatchewan Crop Insurance Programme should continue to operate as it currently does."

We continue to recommend that the Government account for loans to Crown corporations in accordance with Canadian GAAP for the public sector.

Pension costs reservation

Canadian GAAP for the public sector requires that pension liabilities be recorded in the financial statements.

The GRF is responsible for the liabilities of several pension funds, but it does not record these liabilities in the GRF's financial statements. Therefore, the Assembly and the public are unable to properly assess pension costs because the financial statements do not include the GRF's total pension costs for the year or the unfunded pension liability. The financial statements only include the amounts the Government actually paid retired members or contributed to a pension fund that year. The Government acknowledges that it does not follow GAAP for pension costs and liabilities.

The effects of not properly recording pension costs are as follows:

- pension expenditures are understated by $47 million;
- surplus for the year is overstated by $47 million; and
- pension liabilities and accumulated deficit are understated by $4 billion.

In previous years, we recommended that the Government account for pension costs in the GRF's financial statements in accordance with Canadian GAAP for the public sector.

In February 2002, PAC considered this matter and disagreed with our recommendation.

We note that Manitoba is the only other provincial government in Canada that publishes financial statements that do not follow Canadian GAAP for the public sector for pensions.

We continue to recommend that the General Revenue Fund's financial statements record pension costs in accordance with Canadian GAAP for the public sector.

MIDAS cash management module

Finance has a multi-year plan to replace the current financial and human resources computer system used by all departments with Enterprise Resource Planning[3] software called Oracle Financials. Finance plans to implement Oracle Financials in a number of phases. Finance calls the new system MIDAS ("Multi-Informational Database Applications"). All departments will use MIDAS.

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[3] Enterprise Resource Planning software integrates a large number of functions across an entire organization into one piece of software. This allows all of the various units within the organization (in this case departments and branches) to more easily share information and communicate with each other.

Finance implemented the first phase April 1, 2003. It included modules for the general ledger, accounts payable, revenue recording, and cash management.

The cash management module presented significant problems. Finance installed and operated this module without enough testing or documenting the procedures for reconciling the main bank account.

As a result, Finance was unable to reconcile the main bank account's recorded bank balance to bank records for a year. Finance finalized the April 2003 bank reconciliation in March 2004, along with reconciliations for May through August of 2003. Finance finalized the reconciliations for the remaining months in April 2004.

Timely bank reconciliations help ensure that the bank makes only authorized withdrawals from the bank account and that the bank puts all deposits into the bank account. Also, timely bank reconciliations help to ensure accurate financial reports. MIDAS produces the monthly financial reports for all departments. If the reports are not accurate, the departments may not have the information they need to make good decisions.

To mitigate the risk of any loss, Finance performed the following procedures:

- daily reconciliation of cash receipts total to the bank deposit; and
- daily comparison of cashed cheque listing from the bank to cheques issued listing from MIDAS. Finance follows up any differences immediately.

We note that Finance completed the documentation of procedures for reconciling the GRF's main bank account in June 2004. We also note that Finance completed the April 2004 bank reconciliation in June 2004 and reconciliations are now current.

1. **We recommend that Finance reconcile its recorded bank balance to the bank's records promptly.**

Prior years' recommendation

Annual pension costs not included in Estimates

In previous reports, we reported the Assembly and the public are unable to assess pension costs properly because the Estimates do not include the GRF's estimated total pension costs for the year. The Estimates only include the amounts the Government expects to pay retired members or contribute to a pension fund that year.

The effects of not including the GRF's total pension costs in the Estimates for the year ended March 31, 2004 are as follows:

- budgeted operating expenditures of $5.9 billion are understated by $55.7 million;
- the GRF's budgeted surplus of $59.3 million is overstated by $55.7 million; and
- the budgeted accumulated deficit of $5.4 billion is understated by $4.0 billion.

In previous years, we recommended that Finance include the GRF's total pension costs for the year in the Estimates.

In February 2002, PAC considered this matter and disagreed with our recommendation.

This matter is important because the Government uses the GRF's budgeted surplus or deficit as one of its key performance indicators. If the budgeted surplus or deficit does not include the total estimated pension costs, it is difficult for the Assembly and the public to assess the Government's performance. As well, the Assembly makes decisions based on the belief the budget is balanced. The Assembly may make different decisions if the budget included the correct amount of pension costs for the year.

In March 2004, the Government presented a summary financial plan for the entire Government as part of the 2004-05 Budget and Performance Summary. We are pleased to note the summary financial plan includes the Government's total estimated pension costs.

Public Employees Benefits Agency

The Financial Administration Act, 1993 (Act) established the Public Employees Benefits Agency (PEBA) to administer certain pension plans and benefit programs.

The Act also established the Public Employees Benefits Agency Revolving Fund to account for PEBA's administration costs. PEBA allocates the administrative costs to the various pension plans and benefit programs it administers.

For the year ended March 31, 2004, PEBA had revenue and expenses of $6.6 million and held assets of $2.3 million.

Compliance with the law needed

The Act does not allow PEBA to retain money received from health care plans not designated by Cabinet as benefit programs.

The Act allows PEBA to manage benefit programs designated by Cabinet. The Act also allows PEBA to provide management assistance to benefit plans it does not administer.

PEBA arranged with certain employers to pay health care plan premiums on their behalf. PEBA received money from the employers and paid the premiums. The premiums were for health care plans Cabinet has not designated as benefit programs. PEBA did not manage these health care plans i.e. did not negotiate health care insurance contracts or administer employees' claims.

At year-end, money received from these employers exceeded premiums paid to the insurers by $220,000. The surplus remained in PEBA's bank account. Since Cabinet had not designated these plans as benefit programs, PEBA had no authority to retain the surplus.

2. **We recommend that the Public Employees Benefit Agency return the surpluses to the employers, or have the plans designated as benefit programs by Cabinet as required by *The Financial Administration Act, 1993*.**

Saskatchewan Pension Annuity Fund

The Saskatchewan Pension Annuity Fund Act established the Saskatchewan Pension Annuity Fund (Fund). The Public Employees Pension Board (Board) administers the Fund. PEBA provides day-to-day administration for the Fund.

The Fund provides retiring members of the Public Employees Pension Plan (Plan) an alternative to purchasing an annuity from the private sector. On retirement, Plan members may purchase an annuity from the Fund or from a private sector company. Those electing to receive an annuity from the Fund transfer their accumulated contributions and investment income from the Plan to the Fund at retirement.

In 2004, the Fund had revenue of $20.2 million (including $12 million in transfers from the Plan), expenses of $20.3 million with a net loss of $.1 million. At March 31, 2004, the Fund had assets and liabilities of $126.5 million.

Board needs to monitor cash flows

The Board needs to monitor the Fund's cash needs to ensure it can pay annuities when due.

The Board provides annuities to those members of the Plan who chose to buy annuities from the Fund. The Board uses money transferred from the Plan to buy fixed term-investments and uses the cash received from these investments to make regular payments to annuitants.

Sometimes, cash flows from the investments do not coincide with the timing of the annuity payments. To ensure it has cash available to make payments, the Board needs to forecast and monitor cash inflows and cash outflows. If the projected cash outflows exceed its projected cash inflows, the Board can direct management how best to deal with the expected cash shortfall. To deal with such shortfalls, *The Financial Administration Act, 1993* allows the Board to establish a line of credit with a bank. The Board has established a line of credit with a bank. The Board, however, does not forecast and monitor cash flow needs. Nor has it established guidelines for staff on how to manage any cash shortfall.

Twice during the year, the Board did not have enough cash to make payments from the Fund. Because the Board had not established guidelines on how to manage cash shortfalls, staff borrowed money from the Plan without informing the Board or senior management. *The Saskatchewan Pension Annuity Fund Act* does not allow the Board to borrow money from the Plan. Later in the year, the Board repaid the money, including interest, to the Plan.

3. **We recommend that the Public Employees Pension Board monitor regularly the Saskatchewan Pension Annuity Fund's cash flow.**

4. **We recommend that the Public Employees Pension Board use the borrowing authorized under *The Financial Administration Act, 1993* for the needs of the Saskatchewan Pension Annuity Fund.**

The Public Service Superannuation Board

The Public Service Superannuation Board (Board) is responsible for the administration of *The Public Service Superannuation Act* and other relevant laws. The Board's primary objective is to provide pensions to employees who retire and to dependants of deceased pensioners and employees in accordance with the law.

The Board manages the Public Service Superannuation Plan (Plan), which consists of the Public Service Superannuation Fund, the Anti-Tuberculosis League Employees Superannuation Fund, and the Saskatchewan Transportation Company Employees Superannuation Fund. The Plan is a defined benefit pension plan.

In 2003-2004, the Plan received contributions of $5.1 million from employees and $92.9 million from the GRF. At March 31, 2004, the Plan held assets of $18.0 million and had liabilities of $1,609.6 million.

Retired members' pensions

The Board needs information about retired members of the Plan who are receiving a pension and have returned to work for the Government. The

Board needs this information to ensure it pays pensions in accordance with the law.

Requirements for stopping the pensions of retired members who return to work for the Government are set out in section 27 of *The Superannuation (Supplementary Provisions) Act* (Act). The Act allows retired members to work as temporary, casual, or provisional employees for up to six months per year without a reduction in their pension. However, the Act requires the Board to stop the pension of a retired member who works for the Government for more than six months in a year. The Act also requires the Board to stop the pension of a retired member that the Government re-hires as a permanent employee when that member starts work.

The Board does not know if retired members are working for the Government. The Board relies on retired members notifying the Board upon re-employment with the Government. As a result, the Board cannot ensure that all pensions paid comply with the law. Accordingly, we cannot determine if the Board complied with section 27 of the Act.

We reported this matter in our 2003 Report – Volume 3, our 2001 Spring Report, and 2002 Fall Report. In November 2001, PAC considered this matter and agreed with our recommendation.

We continue to recommend that the Public Service Superannuation Board establish rules and procedures to ensure that all retired members who are receiving a pension and return to work for the Government are paid in accordance with the Act. Alternatively, the Board should seek changes to the Act.

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Processes needed to manage IT

7

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Main points

Information and related information technology (IT) plays a critical role in the delivery of important government services The Government has also spent considerable resources updating and replacing IT systems in the last five years. Currently the Government is replacing the payroll and human resource systems used by departments. The Government is also consolidating some of its IT infrastructure and IT management. These new and planned IT changes are large, complex, and risky. The Government must manage these new risks well.

In this chapter, we outline key IT management processes we will use as criteria when auditing Government's management of IT systems. IT management includes IT planning and supervision, change management, operations and support, security processes and contingency planning. It is important that Government, its agencies, and its supervisory agencies use best practices to ensure the security, integrity, availability and confidentiality of IT information and its related systems.

Introduction

Information and related information technology (IT) plays a critical role in the delivery of important government services. The results of our 2002 security survey[1] showed the Government as a whole planned to spend over $300 million on IT in 2003. IT includes computers, networks, applications, data, and IT staff support. Governments face significant risk in managing a complex resource like IT. To achieve its objectives, the Government must have good information technology management processes.

In this chapter, we identify good IT management processes based on current standards. We will audit government agencies using these processes as criteria. We will also assess the role of the Government, its agencies, and supervising agencies in ensuring they use good IT management processes.

Key IT risks faced by the Government

The Government has a large and complex IT environment that faces significant risks. If the Government and its agencies and supervising agencies cannot manage their IT risks, they may not be able to deliver their services and achieve their objectives.

Key IT risks include:

- unauthorized access to IT information or infrastructure;
- IT systems are not available when needed;
- IT planning and decisions do not achieve agency objectives;
- IT information is incomplete, inaccurate, late, or unauthorized;
- personal information is used inappropriately;
- IT systems are late, over budget, or do not achieve intended benefits or objectives;
- information is disclosed inappropriately; and
- ineffective use of public IT resources.

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[1] 2002 Fall Report Volume 2 – Chapter 3

Key IT management processes

The Government needs to follow good IT management processes to manage its risks and achieve its objectives.

In this chapter, we describe processes consistent with current standards including those developed by the Information Systems Audit and Control Foundation (ISACA), IT Governance Institute, The Canadian Institute of Chartered Accountants (CICA), and the Project Management Institute (PMI). We list some standards by these and other agencies in the selected references at the end of the chapter. We summarize these processes under the following categories:

1. IT planning and supervision;
2. change management practices;
3. IT operations and support;
4. security; and
5. IT contingency planning.

In this chapter, we outline why the Government must manage these processes well. We will also identify key processes under each category.

IT planning and supervision

The Government, its agencies, and supervising agencies need to ensure they have the planning and supervision processes needed to ensure good IT management. A strong organizational structure ensures accountability and supervision of IT systems. For example, the Government has delegated responsibility for supervising the security of CommunityNet to the Information Technology Office (ITO). It is important that the ITO has the authority and is accountable to manage security.

Key IT planning and supervision processes

Key IT planning and supervision processes include:

- an IT organizational structure that ensures accountability for IT;
- IT planning that supports the agency's goals and objectives;
- an IT risk assessment processes; and

- processes to ensure compliance with authorities and other external requirements.

A strong IT division is led by a member of senior management. It is separate from the finance and operating divisions. It has a steering committee to ensure IT meets the agency's needs. Finally, it ensures its employees are competent and adequately trained.

Good IT planning ensures:

- IT meets the agency's objectives;
- IT systems are based on a strong IT architecture; and
- the maintenance of a strong IT infrastructure.

The plan for the agency should have performance targets linked to organizational strategies and objectives for both operations and projects. The plan should also set out how the overall design of the components of the IT systems fit and work together for the agency and the Government as a whole. This is the IT architecture.

The IT infrastructure is a key component that includes the computers, networks, and software needed to run the business applications. The key to management of infrastructure is planning, accountability, capacity, and reporting its targets and results.

IT policies should cover security, contingency planning, and information management and be based on a threat and risk assessment. The policies must reduce the threats to an acceptable level that allows the agency to meet its objectives. The agencies must monitor compliance with policies. The agencies must also ensure its policies comply with its authorities.

Change management practices

The Government needs to ensure that new IT systems and changes to its IT systems meet its objectives. There have been significant changes to the IT environment in Saskatchewan in the past few years. In previous chapters, we have reported on the ITO's CommunityNet, Finance's MIDAS project, SaskPower's Delta project, SaskEnergy's One World, and Information Service Corporation's Land System. These projects have cost over $200 million and have changed the IT risks facing the Government.

It has increased the dependency on the Internet and large agency-wide systems. The well-publicized Internet risks require careful management. In the agency-wide systems, the Government has used public resources to implement four different systems in the last five years.

Following strong processes will help to ensure that the Government develops or implements secure IT systems that achieve benefits on time and on budget. It is important that agencies implement systems based on the Government's vision and architecture. It is easier to develop or purchase a system in isolation, because it is generally less expensive and requires no coordination with other agencies. However, it may not meet similar needs of other government agencies. In Chapter 6 of our 2003 Report – Volume 1 on developing a system to share water quality information we highlight the need to develop systems based on the needs of a group of government agencies.

Key change management processes

Key change management processes include:

- system development processes;
- approved policies and procedures to acquire and dispose of IT systems; and
- processes over changes to its IT systems.

Ensuring government agencies properly purchase or develop a new system requires key processes including a business case, project management, and a system development life cycle.

A business case ensures that all systems are approved knowing the project scope, full cost, and the future benefits. The business case should also ensure the new system fits in the Government's architecture.

Government agencies should use project management processes including the nine management processes set out in the Project Managements Institute's *Project Management Body of Knowledge* (PMBOK). The standard sets out processes to help ensure projects are on time, on budget, and achieve benefits. This includes compliance with contracts and other authorities including the purchase and disposal of IT assets. The standard also covers human resource management, communication, and quality assurance.

Finally, a system development life cycle is a process to take the vision in the business case and implement it as an IT system that achieves the planned benefits. There are many models in use today. The types of life cycles available are set out in the PMBOK and other sources.

Government agencies must acquire and dispose of IT systems using approved policies and procedures.

The need to change systems properly is a goal of all agencies. The steps to change an IT system include a documented and approved request, multiple levels of testing, final approval, and a process to move the change to the live system. There should also be a quality assurance review after the change is complete. The quality assurance process ensures adherence to standards and the meeting of requirements.

IT operations and support

Government agencies must ensure their IT systems operate well. If not, data may lack integrity, performance may be slow, or systems may not be available when needed. All government agencies connect to the Internet and many use CommunityNet. They must take extra precautions due to threats from outside their networks. Government agencies must also manage internal threats because a loss, mistake, or inappropriate use by an employee may be costly.

The Government must protect their operations carried out by outside service providers (OSP) with service level agreements and audits. Government agencies may contract with an OSP to do some of its critical IT operations. For example, the ITO is now managing some departments' infrastructure. To do this the ITO must establish agreements with the departments that set out levels of service expected and how it is accountable for this service.

Currently in the Government, most audits of OSP operations assess and report the existence of controls on a date. It is important that auditors assess and report the effectiveness of the OSP controls over the whole year.

Key IT operations processes

Key IT operations processes include:

- protecting the applications, ensuring data integrity, and meeting the users' control needs;
- backup and recovery procedures;
- monitoring and reacting to incidents; and
- monitoring outside service providers affecting IT operations or support.

IT operations include balancing important processes, monitoring of system performance, and reacting to problems that may affect integrity of data or delay the completion of processes. Operations must ensure the security and integrity of IT systems. Government agencies use a service level agreement to set out expectations if an OSP carries out the operations. Operations also include user support and help desk functions to answer questions and fix problems. Standards for quality include the IT Service Management Forum's *IT Infrastructure Library* (ITIL).

IT operations also include good backup and recovery processes. Even with good operating procedures, files may be lost and processes may fail. Good backup and recovery aids in meeting user expectations for availability.

IT operations must monitor and react to incidents and security breaches. A help desk function often carries out this process. Operations must also be proactive to fix known risks by quickly updating systems.

If government agencies contract out their data centre or help desk, it is critical that they have a service level agreement, even when it is with another government agency. The agreement should include performance expectations, security requirements, penalties for non-performance, and the ability to audit.

The Canadian Institute of Chartered Accountants (CICA) has standards for these audits called *5900 - Opinions on Control Procedures at a Service Organization.* The CICA also has criteria for this audit set out in *Trust Services Principles and Criteria.*

Security

The Government must ensure it has effective security controls over its IT systems including data and infrastructure. The Government also needs to classify information based on the need for security, confidentiality, integrity and availability. The ITO is asking Government departments to use an information classification standard. However, the ITO lacks the authority to enforce its use. Without good policies and access controls, people may use confidential and private information inappropriately. Poor security can affect the integrity and availability of IT systems.

Key security processes

Key security processes include security and privacy management, user access controls, and physical and environmental controls. The following describe each of these components.

Security and privacy management

It is important that government agencies base their policies for security and privacy management on a threat and risk analysis and a government-wide policy. The Government, its agencies, and its designated supervisory agency must monitor compliance with the policy. The policy should cover not only security but also governance, operations, and change management. An example of a recognized standard for a policy that covers most of these areas is ISO/IEC 17799[2]. There are also standards used by the Government of Canada and the United States Government. A recognized standard for privacy is the Canadian Standards Association's *Model Code for the Protection of Personal Information*. There is also provincial legislation governing privacy.

Each agency should do a threat and risk analysis using a recognized standard. The RCMP's *Threat and Risk Assessment for Information Technology* and the Australia and New Zealand standards Associations' *AS/NZS 4360*[3] are both good standards for a risk assessment. The Government and its agencies need to do a risk assessment to ensure they have reduced their risks to an acceptable level.

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[2] International standards Organization: Information Technology – *Code of practice for information security management.*

[3] AS/NZS 4360:2004 : *Risk management*

User access controls

User access management means protecting information in the IT system from unauthorized access. Access management is more critical with the increased use of the Internet, CommunityNet, on-line approvals, and automated processes.

User access controls reduce the risk of unauthorized access. User access controls ensure only approved people or processes can use an IT system. A common example of a user access control is a username and a password. The username identifies the user and the password verifies who the user is and grants access. It is also critical that government agencies can verify any person or process that connects to its IT systems.

The access controls must also establish rights. Access rights control what systems, information, and applications a user can see or use. Access rights can also segregate duties within an application. When contractors need to use government systems, they should follow the agencies standards and be closely monitored. Finally, all access should be for a limited time and be reviewed periodically.

Physical access and environmental controls

Good physical and environmental controls means protecting IT infrastructure from harm. Physical access controls protect all computers, network devices, disk drives, backup devices, and wiring from unauthorized access. Good security management means an agency protects its IT assets from environmental threats like fire, flood, heat, or dust.

Protecting IT system assets from damage from hazards is complicated because assets are in multiple locations, use wireless links, and are often in the care of an outside service provider. Good processes for physical and environmental controls include ITIL and the manufacturers' recommendations.

IT contingency planning

The Government, its agencies, and supervising agencies should have strong plans to recover systems in the event of a disaster like a fire or flood. It is also important agencies plan for the total recovery of all key business processes in the event of a disaster. This includes building capacity, when cost effective, into systems so a disaster in one location will not cause applications to quit running at other locations where employees are still able to work. Contingency planning is broken into two components. The first is disaster recovery or processes to recover and return an IT infrastructure to operations after a disaster. The second is business continuity planning which is a process to return business processes to operation after a disaster.

Key contingency planning processes

A contingency planning process should:

- set out the responsibilities to implement the plan;
- establish emergency procedures to be used while the system is unavailable;
- include steps for the recovery and restoration of the system or business process;
- document the key system or business processes, and procedures; and
- be regularly tested and updated.

What is next?

Exhibit 1 shows the key processes we will use as criteria to assess the management of IT in government agencies with significant IT systems. As risks change and standards evolve, these criteria will continue to develop. It is important that Government, its agencies, and its supervisory agencies use best practices to manage IT. Using best practices will help to ensure the security, integrity, availability and confidentiality of IT information and its related systems.

Exhibit 1 – Audit criteria for IT Management

There are adequate processes to:

1.0 Plan and supervise IT systems.
  1.1 Management has established an IT organizational structure that is conducive to adequate controls and preparation of adequate financial statements.
  1.2 Management is committed to ensuring IT supports the agency's goals and objectives.
  1.3 Management has adequate IT risk assessment processes.
  1.4 Management has adequate processes to comply with authorities and other external requirements.

2.0 Develop, acquire, or change IT systems.
  2.1 Management has adequate system development processes.
  2.2 Management has adequate approved policies and procedures to acquire and dispose of IT systems.
  2.3 Management has adequate change management processes over changes to its IT systems.

3.0 Operate and support IT systems.
  3.1 The agency has adequate IT operations and support processes to protect the production environment and meet the users control needs.
  3.2 The agency has adequate backup and recovery procedures.
  3.3 The agency has adequate processes to monitor and react to incidents.
  3.4 The agency has processes to monitor third party service bureaus or other outsourcing agreements affecting IT operations or support.

4.0 Manage security.
  4.1 The agency has adequate security and privacy management.
  4.2 There are adequate user access controls.
  4.3 There are adequate physical and environmental controls over IT facilities.

5.0 Test and approve business or disaster contingency plans.

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Industry and Resources

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Main points

In September 2002, to attract investment and promote Saskatchewan's competitive advantages, the Government started the "Our Future is Wide Open" campaign. We examined the Department of Industry and Resources' (Department) processes for coordinating the campaign and assessing its success.

The Department coordinated the campaign well, except that it needs to clearly define the roles and responsibilities of each agency involved. The Department had adequate processes to assess the success of the campaign.

The Office of Northern Affairs operates independent of the Department even though the law sets out that the Department is responsible for Northern Affairs. Therefore, it is not clear who is responsible for the affairs of the north.

The Office of Northern Affairs needs to improve its controls over cash receipts, recording loans and grants, and approvals of payments. Also, the service agreement between the Department and the Office needs improvement. The agreement should clearly state who is responsible for what functions related to the processing of payments.

Introduction

The Department of Industry and Resources (Department) is responsible for stimulating business investment and promoting development of the province's resource sector. The Department's mandate is "to achieve full and responsible development of Saskatchewan's energy, mineral and forestry resources, to work with businesses and co-operatives to expand the Saskatchewan economy by promoting, co-ordinating, and implementing policies, strategies and programs that encourage sustainable economic growth, and to optimize revenues to fund government programs and services."[1] The Department is also responsible for the administration of *The Tourism Authority Act*.

The Department received $71.5 million from the General Revenue Fund for its programs. Information about the Department's revenue and expenses appears in its annual report and in *Public Accounts 2003-04: Volume 2: Details of Revenue and Expenditure* (see http://www.gov.sk.ca/finance/paccts). The following table shows the Department's major program spending and revenue.

Spending

	Original Estimates	Actual
	(Millions of dollars)	
Investment Programs	$ 28.6	$ 22.9
Non-Renewable Resources	14.7	14.1
Industry Development	9.2	9.8
Administration	7.4	7.2
Transfer to Tourism Saskatchewan	7.2	7.2
Transfer to Saskatchewan Trade and Export Partnership Inc.	2.4	2.4
Other	8.0	7.9
	$ 77.5	$ 71.5

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[1] Saskatchewan. Department of Finance. (2003). *2003-04: Saskatchewan provincial budget: building for the future: estimates*. Regina: Author. page 75.

Revenues

	Original Estimates	Actual
	(Millions of dollars)	
Natural Gas	$ 119.1	$ 210.5
Oil	490.1	774.5
Potash	165.9	120.2
Other	51.4	52.1
	$ 826.5	$ 1,157.3

The Department is also responsible for the Oil and Gas Environmental Fund (Fund). The purpose of the Fund is to provide a mechanism to clean up abandoned wells and respond to environmental problems associated with the exploration, development, production, and transportation of oil and gas.

In 2003-04, the Fund earned revenue of $76,207 and did not incur any expenses. The Fund held assets of $2.8 million as at March 31, 2004. The Fund's financial statements are included in its annual report.

The Department also has the duty to carry out the responsibilities and functions of the Minister of Northern Affairs and the Minister Responsible for Information Technology. The Government has created the Office of Northern Affairs and the Information Technology Office to carry out these functions. This chapter includes the results of our audit of these agencies.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2004:

- **the financial statements of the Oil and Gas Environmental Fund are reliable;**
- **the Department and the Information Technology Office had adequate rules and procedures to safeguard public resources. The Office of Northern Affairs had adequate rules and procedures except for the matters described in this chapter; and**

- **the Department and the Information Technology Office complied with the authorities governing their activities regarding financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Also, the Department complied with authorities governing the activities of the Fund. The Office of Northern Affairs complied with authorities governing its activities except for the matters described in this chapter.**

In this chapter, we also describe the results of the work we did on the "Our Future is Wide Open" campaign.

"Our Future is Wide Open" campaign

Background

In September 2002, the Government launched the "Our Future is Wide Open" campaign (campaign) to attract investment and promote Saskatchewan's competitive advantages. The Government directed the Department to lead this campaign. The Government made the Department responsible to coordinate and involve government departments and agencies where possible.

Based on the directions from the Government, the Department set the following goals for the campaign:

- increase optimism among Saskatchewan people in the future of our province and its economy;

- increase awareness of progress in creating a more competitive investment climate – both within the province and out-of-province; and

- increase awareness among Saskatchewan people of our recent impressive economic growth and momentum.

The Department plans to continue this campaign to 2005 to prepare the stage for the Centennial Celebration.

The Department had the following budget for the campaign:

year ended March 31, 2003	$2.0 million;
year ended March 31, 2004	$1.8 million; and
year ending March 31, 2005	$1.4 million.

The Crown Investment Corporation of Saskatchewan (CIC) had the following budget for the campaign:

year ended December 31, 2002	$0.9 million;
year ended December 31, 2003	$2.0 million; and
year ending December 31, 2004	$2.0 million.

For the year ended March 31, 2004, the Department spent $1.8 million (2003 – $2.0 million) for the campaign. CIC also participated in the campaign. For the year ended December 31, 2003, CIC spent $2.0 million (2002 – $0.7 million) for the campaign.

What we did

For the year ended March 31, 2004, we examined the Department's processes for coordinating the campaign with other government agencies and for assessing its success. Specifically, we examined if the Department had:

- adequately planned the campaign including:
    - determining the baseline public opinion about the Province's competitive advantages at the start of the campaign;
    - setting out the goals and expectations with a clear assignment of who will do what, when, and why;
    - regularly assessing the actual results compared to plans;

- properly selected a consultant to provide technical and professional help in carrying out the planned campaign; and

- clearly defined roles and responsibilities for coordinating the work of other government agencies involved in the campaign (i.e., ensuring receipts of goods and services, approval of invoices for payments, and monitoring of actual and planned expenditures).

What we found and recommendation

We found the Department had adequate processes to coordinate the campaign with other government agencies except that it did not clearly document the roles and responsibilities of the agencies involved in the campaign. Also, the Department had adequate processes to assess the success of the campaign.

1. **We recommend the Department of Industry and Resources document the roles and responsibilities of the agencies involved when it coordinates work with other government agencies in delivering a significant program.**

Management told us that the Department will document the roles and responsibilities of the agencies involved in any such future projects.

Our detailed findings

The Department had adequately planned the campaign. The plan had a clear description of goals and objectives for the campaign and a process to measure the expected results at the end of each phase of the campaign. It had assigned tasks to various levels of staff and set out timelines for completion of those tasks. The Department had outlined a process to monitor the work of all staff and to ensure the campaign was moving as planned. To ensure it could measure the campaign results, the Department sought an external assessment of public opinion at the start of the campaign.

The Department's documentation of roles and responsibilities for other government agencies involved in the campaign was not adequate. Most other government agencies contributed in this campaign. However, their participation, except for CIC, was not active or specific. The Department had asked all government agencies to use the Wide Open logo in their regular promotional or public relations communications. We asked some of those agencies about incremental costs of using the logo. They told us the cost of using the logo in their regular communications was minimal.

CIC paid some of the costs of the campaign. However, the Department and CIC had not agreed and documented their respective roles and responsibilities. When roles and responsibilities are not clearly agreed and documented, confusion and misunderstandings can result in a loss of public money. For example, we noted the Department received a majority of suppliers' invoices and allocated some of those invoices for payment by CIC. The Department forwarded those invoices to CIC for payment. However, the Department did not always certify that it had received the goods or services for those invoices it sent to CIC. We asked CIC if its staff had verified the receipt of goods and services before paying the suppliers. CIC told us that the Department forwarded the invoices for payment only when the Department verified that they have received the invoiced goods and services. The Department told us that it did ensure that it had received the goods or services related to those invoices, however, it did not leave evidence that it had done so because it did not have the authority to do so. The Department told us that CIC is responsible for ensuring that the invoiced goods have been received or services rendered before paying those invoices.

During the two years ended December 31, 2003, CIC paid a total of $2.7 million for the campaign. Because the Department did not leave evidence that goods have been received and services rendered for the invoices that CIC paid, we examined documentation supporting the receipt of goods or services for invoices CIC paid. We found adequate support for the payments.

The Department had established clear goals and objectives for the campaign and documented processes to assess the campaign's success regularly. The Department had established baseline data before the start of the campaign and set out a measurable objective during different times from September 2002 to 2004. The Department then used an external consultant to conduct public opinion surveys to monitor the effect of the campaign on the public. This comparison helped the Department assess the success of the campaign and to make changes where necessary. For example, one of the objectives of the campaign was to improve the percentage of residents who agree that Saskatchewan is a great place to live, work, and do business. In September 2002, 83% of the residents surveyed agreed. In March 2003, the survey showed that this percentage had increased to 89%. We did not audit the surveys.

The Department of Executive Council (Executive Council) approves the agency of record for all government agencies. An agency of record is an external agency or company that provides the Department with communication services (e.g., media planning and buying, production and management). We examined the processes Executive Council used to select and approve an agency of record for the Department. We found the Executive Council had adequate processes to request proposals, assess those proposals, and select an agency of record for the Department. The Department's officials served on a committee that the Executive Council struck to select the agency of record. Later, the Department signed a formal agreement with the agency of record to set out the terms of the contract (e.g., compensation rates, standards of performance, confidentiality).

We also examined payments the Department made for the campaign. During the two years ended on March 31, 2004, the Department paid $3.8 million for the campaign. We found all payments were properly authorized, supported, and recorded correctly.

Office of Northern Affairs

The mandate of the Office of Northern Affair's (Office) is "to promote the social and economic development of northern Saskatchewan communities in partnership with the federal government and northern communities by supporting regional development and development of businesses and industries, and coordinating government activities"[2].

For the year ended March 31, 2004, the Office received $4.9 million from the General Revenue Fund to provide programs and services. The Office also received $1.4 million to make loans for the year ended March 31, 2004.

Responsibility for affairs of the north

The law sets out who is responsible for the Office of Northern Affairs. However, this does not match how the Office is currently being managed.

The affairs of the north are the responsibility of the Minister of Northern Affairs. The law currently provides that the Minister of Northern Affairs carry out this responsibility for northern affairs through the Department of Industry and Resources (Department). However, the Department does not do this. Both the Department and the Office agree that the Office fulfills this role and does so independent of the Department.

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[2] Saskatchewan. Department of Finance. (2003). *2003-04: Saskatchewan provincial budget: building for the future: estimates.* Regina: Author. page 97.

However, the Government has not formally established the Office as a separate government agency with the mandate to carry out the Minister's responsibilities. The Government needs to clarify the legislative responsibility of the Office and of the Department.

2. **We recommend that the Government clarify which agency is responsible to oversee the affairs of the north.**

Proper delegation of authority needed

The Office needs a clear delegation of authority for the approval of payments and contracts for loans and grants. Without a clear delegation of authority, the Office cannot ensure that all payments are properly authorized.

The Office has a delegation of authority, but it is not up-to-date. For example, for approval of loans, it refers to positions that no longer exist. Therefore, it is not clear who has the authority to approve loans. Also, the Office needs to communicate the delegation of authority to all staff to reduce the risk of unauthorized payments.

3. **We recommend that the Office of Northern Affairs update its delegation of authority for approval of payments and contracts for loans and grants and communicate this delegation to all staff.**

Service agreement needs improvement

The Office needs to improve its service agreement that it has with the Department.

The Office has a service agreement with the Department to do some of the Office's accounting functions. The agreement, however, does not clearly state who is responsible to approve payments and ensure the accuracy of the accounting records and reports. The risk of improper payments increases when a service agreement does not clearly set out the roles and responsibilities of each party. During the year, we did not find any improper payments.

4. **We recommend that the Office of Northern Affairs improve its service agreement with the Department of Industry and Resources to clearly state who is responsible to approve payments and ensure the accuracy of the accounting records.**

Approval for interest rate needed

The Office needs to obtain the Minister's approval of the rate of interest it charges on its loans.

Order in Council 208/96 and 293/96 assign responsibility for *The Northern Economic Development Regulations* to the Minister of Northern Affairs. These regulations state that the Minister is to establish the interest rate for loans. The Office could not show us the Minister's approval for the interest rate on loans.

Without the Minister's approval for the interest rate charged on loans, the interest collected may not have adequate authority.

5. **We recommend that the Office of Northern Affairs obtain the Minister's approval of the interest rate it charges on loans.**

Controls over cash receipts needed

The Office needs to control the money it receives in the mail.

Without adequate controls over cash receipts, money may be stolen or incorrectly recorded in the accounts.

The Office needs to follow the procedures set out in the Provincial Comptroller's Financial Administration Manual (FAM) to ensure that it adequately records and controls public money. FAM requires that two people open the mail, immediately record all money received, and reconcile the money received to the bank deposits and accounting records.

The mail was not always opened by two people. Also, the Office did not always agree the mail records to the bank deposits.

6. **We recommend that the Office of Northern Affairs follow the procedures in the Financial Administration Manual for opening the mail and safeguarding the money received.**

Controls over recording of loans and grants needed

The Office needs to ensure it accurately records the advances it pays for approved grants made for northern economic development.

Near the year-end, we found that the Office advanced $162,000 for grants it had approved. The Office recorded these advances as grant expenses. As required by Canadian generally accepted accounting principles, the Office should record such advances as assets. The Office should do so because at the year-end, the recipient of the grant had not met all the required conditions. The agreement requires the recipients to spend the grant on eligible expenses. At year-end, the recipient had not fully spent the money received in advance. As a result, the Office overstated its expenses and understated its assets by $162,000. We note that the Office has a record of who received these advances.

The Office of Northern Affairs should improve its procedures to ensure it properly records advances and grants.

Environment

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Main points

We report two new areas that the Department of Environment (Department) needs to improve. The Department needs to establish processes to ensure proper recording and collection of amounts owing to the Department. Also, the Department needs to follow its rules and procedures to ensure that it reconciles its bank balances to the bank's records promptly.

In addition, we continue to report that the Department has not fully addressed the matters we reported in our prior reports. Accordingly, we continue to recommend the Department:

- document its internal reporting needs;
- follow its procedures for controlling capital assets;
- prepare a complete contingency plan and test that plan to ensure that it works; and
- strengthen its internal audit function by promptly reviewing the audit plan and the audit findings.

Introduction

The Department of Environment (Department) is responsible for managing, enhancing, and protecting the Province's natural and environmental resources, and sustaining them for future generations. Information about the Department's mandate and its organizational structure are available at its web site (http://www.se.gov.sk.ca/).

For the year ended March 31, 2004, the Government's summary financial statements show environment and natural resource expenditures of $189 million. The following table shows the expenditures of government agencies for environment and natural resources.

	(in millions of dollars)
Department of Environment (2003-04 Public Accounts – Volume 2)	$ 178
Deduct expenditure shown as:	
Economic development related to forests	(10)
Community development related to urban parks	(4)
Add expenditures incurred by:	
Saskatchewan Water Corporation	12
Saskatchewan Watershed Authority	12
Other	1
Environment and natural resources expenditures per the Government's Summary Financial Statements	$ 189

The Department received $178 million from the General Revenue Fund for its programs. Also, the Department collected revenue of $64 million. The Department collects revenue from licences and permit fees for fishing, gaming, and forestry. It also collects non-refundable deposits on beverage containers. In addition, the Department collects revenue and incurs expenses through its special purpose funds listed below.

Information about the Department's revenues and expenditures appears in the Department's 2003-04 annual report, (see http://www.se.gov.sk.ca). The following table shows the Department's major programs and spending:

	Original Estimates	Actual
	(Millions of dollars)	
Field Operations and Land Management	$ 44	$ 44
Forest Fire Management	37	76
Forestry, Fish, and Wildlife	22	21
Environmental Protection	13	13
Administration	13	13
Water Management	9	9
Other	2	2
	$ 140	$ 178

The Department is responsible for managing the following special purpose funds and Crown agencies:

- Commercial Revolving Fund
- Fish and Wildlife Development Fund
- Forest Fire Contingency Fund
- Resource Protection and Development Revolving Fund
- Operator Certification Board
- Saskatchewan Watershed Authority
- Water Appeal Board

Our audit conclusions and findings

We worked with Meyers Norris Penny LLP, the appointed auditor for the Saskatchewan Watershed Authority, and Mintz & Wallace, the appointed auditor for the Operator Certification Board, to form our opinions. We used the framework recommended in the *Report of the Task Force on Roles, Responsibilities, and Duties of Auditors* (see our web site at http://www.auditor.sk.ca/rrd.html). Our Office and the appointed auditors formed the following opinions.

In our opinion, for the year ended March 31, 2004:

- **the Department and its Crown agencies had adequate rules and procedures to safeguard public resources except for the matters described in this chapter;**

- **the Department and its Crown agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing; and**

- **the financial statements of the Department's special purpose funds and Crown agencies are reliable except for the Operator Certification Board.**

Internal reporting needs improvement

In our 2003 Report – Volume 3 and previous reports, we recommended the Department should define and document its operational and compliance reporting needs.

The Standing Committee on Public Accounts (PAC) considered this matter in January 1999 and agreed with our recommendation.

The Department has not documented its operational reporting needs. Senior management does receive and review quarterly operational reports. However, these quarterly operational reports do not include information on performance measures and targets, and how the Department is progressing to achieve those targets. Also, the Department has not yet defined and documented its compliance reporting needs. The compliance reports should show the Department's compliance with legislative and related authorities (e.g., the laws and policy manuals.)

We continue to recommend the Department define and document its operational and compliance reporting needs.

Control over capital assets needed

In our 2003 Report – Volume 3 and previous reports, we recommended that the Department ensure staff follow the Department's established rules and procedures to control the Department's capital assets.

PAC considered this matter in May 2003 and agreed with our recommendation.

In 2003, the Department began updating its capital asset records in accordance with the Department of Finance's guidance for recording capital assets. The Department's capital asset records now agree with its financial records.

The Department has rules and procedures to safeguard the Department's capital assets. The Department's procedures include inspecting capital assets regularly to ensure capital assets exist and that capital asset records are accurate. During the year, the Department inspected some capital assets. The Department identified differences between the capital assets examined and the capital assets recorded. However, the Department did not investigate those differences nor did it make corrections to the capital asset records. The Department should inspect all of its capital assets regularly, investigate any differences, and correct its capital asset records if necessary. This way the Department will know that the capital assets included in its records exist and their location.

We continue to recommend that the Department ensure staff follow the Department's rules and procedures to safeguard its capital assets.

In our 2003 Fall Report – Volume 3, and previous reports we also recommended that the Department's annual report should describe:

- the capacity of each major category of capital assets;
- the extent to which the use of capital assets achieved planned results; and
- the strategies used to manage major risks to the key capital assets in its annual report.

PAC considered this matter in May 2003 and agreed with our recommendation.

The Department continues to provide some information in its annual report about the capital assets that it bought during the year. However, the Department needs to provide more information in its annual report about its capital assets.

We continue to recommend that the Department describe in its annual report the capacity of each major category of capital assets, the extent to which the use of capital assets achieved planned results, and the strategies used to manage major risks to the key capital assets.

Recording and collection of public money need strengthening

The Department needs to establish processes to collect all public money due from others (accounts receivable).

To safeguard public money, the Department needs to ensure that it properly records and collects all accounts receivable. At March 31, 2004, the Department had accounts receivable totalling $8.5 million. The Department, however, has not provided written guidance to help staff collect those amounts. Also, we noted that staff did not generally use the guidance provided in the Provincial Comptroller's Financial Administration Manual for recording and collection of public money.

Written guidance would include processes to follow up all accounts receivable, how and when to hire collection agencies to help collect the accounts, and when to consider an account uncollectible. Lack of written guidance to staff increases the risk that they may not take the right action at the right time.

Although the Department had $8.5 million in accounts receivable, we did not see any evidence of regular review and follow up of those accounts. For example, the Department's accounts show that the lease customers owed the Department about $1 million at March 31, 2004. The records also show that about $0.8 million of those accounts had been outstanding for more than a year. The Department did not have evidence of what it has done to collect the money or to resolve any disputes with these customers, and to determine if these accounts are uncollectible.

At year-end, the Department estimated that it might not be able to collect about $1.8 million of its accounts receivable.

1. **We recommend the Department of Environment establish processes to collect money due from others.**

Control over bank accounts needs strengthening

The Department needs to improve its control over its bank accounts.

The Department's established rules require staff to agree (reconcile) its recorded bank balances to the bank's records each month. The established rules also require management to review and approve the reconciliations. Regular reconciliation of recorded bank balances to the bank's records provides a check that all charges and deposits to the bank accounts are proper. It also provides a check on the accuracy and reliability of the Department's accounting records.

During the year, the Department did not regularly reconcile all of its bank accounts promptly. For example, at year-end the Department had not reconciled its recorded bank balances with the bank's records for the last five months.

2. **We recommend that the Department of Environment follow its rules and procedures to reconcile its recorded bank balances to the bank's records promptly.**

Contingency plan needed

In our 2003 Report – Volume 3 and previous reports, we recommended that the Department prepare a complete written contingency plan based on a risk analysis and test that plan to ensure that it works.

PAC considered this matter in May 2003 and agreed with our recommendation.

A contingency plan is important because the Department's operations depend on the reliability of its information systems. The Department needs a complete contingency plan covering its computer systems to ensure that it can operate effectively in case its computer systems fail or are accidentally destroyed.

A contingency plan sets out the procedures needed to ensure the continuity of operations and the availability of data. These plans should cover all significant information technology (IT) operations based on the importance of each program and service. An agency's contingency plan is an important part of its business interruption plan, which sets out how the agency will recover from an unplanned business interruption.

Management should regularly review and approve the contingency plan. Management should also test the contingency plan regularly to ensure it works.

The Department has documented some contingency plan procedures for storing programs and data for all major systems. However, the Department does not have a complete written, tested, and approved contingency plan for its major IT systems.

We continue to recommend that the Department prepare a complete written contingency plan and test that plan to ensure that it works.

Internal audit function needs strengthening

In our 2003 Report – Volume 3, we recommended that the internal auditor prepare its audit plan based on a complete risk assessment of the Department's programs and activities; and management receive the internal auditor's reports as planned and discuss those reports with the internal auditor promptly.

PAC considered these matters in May 2004 and agreed with our recommendations.

Departments that carry out diverse programs and activities should receive independent assurance on their processes from their internal auditors. To be independent, the internal auditor should report its findings to the Deputy Minister or an Executive Committee established by the Deputy Minister.

The Department's internal auditor prepared an audit plan for 2003-04. However, the audit plan was not adequate. The plan did not include a risk assessment of all the Department's programs and activities. A complete risk assessment would ensure the audit plan covers the key operational areas of the Department. The Department did not approve the internal auditor's audit plan for 2003-04. Nor did it promptly review the internal auditor's reports and findings.

To be effective, the Department should approve the internal auditor's plan, ensure that the plan is completed, and promptly review the internal auditor's reports and findings.

We continue to recommend that the Department ensure that the internal auditor prepares its audit plan based on a complete risk assessment of the Department's programs and activities.

We continue to recommend that the Department ensure that management receives the internal auditor's reports as planned and discusses those reports with the internal auditor promptly.

Operator Certification Board

The Operator Certification Board (Board) operates under *The Water Regulations, 2002* to certify operators of water and sewage works.

For the year ending March 31, 2004, the Board's financial statements report revenues of $85,000, expenses of $51,000, and net income of $34,000. At March 31, 2004, the Board held assets of $52,000. The Board's financial statements are included in its annual report.

Board needs adequate rules and procedures over revenue

The Board needs to establish rules and procedures to ensure that it receives all application and renewal fees.

The Board employs only one person to keep its books and records. In a small organization, it is often impossible to have adequate segregation of incompatible duties. That is, to ensure that no one person is in a position to conceal errors or frauds. To reduce the risk of errors and frauds occurring without timely detection, small organizations often establish other processes to compensate for the lack of segregation of duties.

In July 2003, the Department of Environment began receiving and recording all of the Board's incoming mail. The Department provides the mail receipt record to the Board. The Board's administrator receives the operators' applications with the appropriate application or renewal fees, records the fees, reconciles the bank account, and prepares financial reports. However, the Board does not ensure that its records agree to the mail receipt records that the Department provides.

In 2004, the Board recorded application and renewal fees of $59,000 from operators. However, we are unable to determine whether the Board recorded all application and renewal fees it received because the Board started the new arrangement in mid year. Also, the Board did not reconcile its records to the Department of Environment's mail receipt records.

We reported this matter in our 2003 Report – Volume 3 and in our previous reports and recommended that the Board establish rules and procedures to ensure it receives all application fees. PAC considered this matter in February 2002 and agreed with our recommendation.

Reliability of the financial statements

The Board's financial statements for the year ended March 31, 2004 may not be reliable.

As explained above, the Board did not have adequate rules and procedures to ensure that it receives all application and renewal fees. As a result, we could not determine whether the Board had recorded all revenue in its financial statements for the year ended March 31, 2004.

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Justice

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Main points

In this chapter, we set out the results of our audits of the Department of Justice and the agencies it manages for the year ended March 31, 2004.

We found that the Department had adequate processes to safeguard public resources and ensure compliance with the law except as follows.

The Department needs to improve its processes to track, enforce, and collect fines. The Department does not know if it has enforced all fines and charges. As a result, the Department may not achieve its goals of safer communities and upholding the rule of law.

The Department relies on its internal auditor to provide it with information on the effectiveness of the Department's processes to safeguard public resources and ensure that it complies with the law. The Department needs to focus its audit work on the activities where the Department is at greatest risk of loss of public money.

Introduction

The mandate of the Department of Justice (Department) is to promote safe communities, social and economic order, and fair and just relations. The Department carries out its mandate through the operation of an independent, impartial, and effective justice system that upholds the rule of law and defines the basic legal rights of citizens.

The Department provides legal services for the Government, and justice and police services for the people of Saskatchewan. The Department also administers registry systems for corporations and local registrars (including trust accounts), and regulates pensions, credit unions, and businesses.

The Government's summary financial statements show expenses of $310 million for the year ended March 31, 2004 (March 31, 2003 - $302 million) for the protection of persons and property.

The following table shows the total government expenditures for protection of persons and property by agency.

	(in millions of dollars)	
	2004	2003
Department of Justice	$ 195	$ 184
Department of Corrections & Public Safety	118	116
Less expenses by Justice and Corrections for purposes other than the protection of persons and property	(57)	(53)
Information Services Corporation of Saskatchewan	36	38
Department of Labour	14	14
Other government agencies	4	3
	$ 310	$ 302

For the year ended March 31, 2004, the Department spent $195 million on its programs and earned revenues of $57 million. Information about the Department's revenues and expenditures appears in the Department's 2003-2004 annual report, (see http://www.saskjustice.gov.sk.ca).

The following is a list of the Department's major programs and spending as reported in the 2003-04 Public Accounts:

	Original Estimates	Actual
	(in millions of dollars)	
Community justice	$ 98	$ 99
Court services	35	35
Marketplace Regulation	5	5
Accommodation and central services	12	12
Legal services	18	20
Administration	4	4
Boards and commissions	19	20
	$ 191	$ 195

The Department is also responsible for the operations of several trust and special purpose funds and Crown agencies with years ending March 31, 2004. These include:

Judges of the Provincial Court Superannuation Plan
Law Reform Commission of Saskatchewan
Office of the Rentalsman Trust Account
Provincial Mediation Board Trust Account
Public Guardian & Trustee of Saskatchewan
Queen's Printer Revolving Fund
Saskatchewan Legal Aid Commission
Saskatchewan Legal Aid Commission Pension Plan
Trust Accounts at Court Houses, Local Registrars, and Sheriff's Offices
Victims' Fund

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2004:

- **the financial statements for the funds and agencies are reliable;**

- **the Department and its funds and agencies had adequate rules and procedures to safeguard public resources except where we report otherwise in this chapter; and**

- **the Department and its funds and agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except where we report otherwise in this chapter.**

System to enforce and collect fines needs improvement

The Department is responsible to track, enforce, and collect fines for offences under various provincial and federal laws. The purpose of a deterrent such as a fine or jail is to discourage the public from violating the law. If deterrents are not enforced, they will not be effective. Without effective deterrents, our communities will be less safe.

The Department's processes for administering fines include:

- controlling the distribution and receipt of tickets to and from law enforcement agencies;

- ensuring the accurate and complete recording, tracking, and enforcement of tickets;

- controlling the recording and receipt of fine payments; and

- collecting unpaid fines.

Law enforcement agencies issue between 130,000 and 150,000 tickets each year.

In this section, we describe weaknesses in the Department's processes to record issued tickets and collect unpaid fines.

Tracking tickets needs strengthening

The Department needs to improve its processes for the receipt of tickets and informations. Informations are charges or complaints made under

The Criminal Code of Canada. Improvements in processes are necessary so that the Department properly enforces fines and criminal charges. Several provincial government agencies, as well as other levels of government (i.e., federal and municipal), rely on the Department to enforce fines and charges issued under various provincial and federal laws.

For purposes of this chapter, we refer to tickets and informations as tickets. Tickets may result in either fines or criminal charges. We expected the Department to have processes to know:

- the tickets it has distributed to law enforcement agencies;
- the tickets issued by law enforcement agencies; and
- unissued tickets.

We expected the Department to have cost-effective processes that track tickets directly or require law enforcement agencies (agencies) to provide it with periodic reports on their tracking of tickets. If the Department used reports from agencies to track tickets, we expected it to verify the reliability of those reports.

The Department does not have processes directly or through agencies to track issued and unissued tickets it distributed to agencies. As a result, it does not know if it has recorded all tickets issued by agencies. Our tests show that the Department cannot account for tens of thousands of tickets distributed to agencies over the past five years. The Department does not know if these missing tickets have been issued, voided, cancelled, or lost. As a result, the Department does not know if it has enforced all fines and criminal charges. This lack of rules and procedures could result in the Department not achieving its goals of safer communities and upholding the rule of law.

On February 18, 2002, the Standing Committee on Public Accounts (PAC) considered this matter and agreed with our recommendations.

We continue to recommend that the Department strengthen its procedures to ensure that the Department records the tickets issued by law enforcement agencies.

During the June 1, 2004 meeting of PAC, the Deputy Minister told the Committee that the Department planned to review, on a sample basis, outstanding tickets in its information system and use the information to guide future practices.

The collection of unpaid fines

For several years, we made recommendations that the Department improve its procedures for collecting court-ordered fines. The Department has implemented all but one of these recommendations.

We continue to recommend that the Department ensure that when repeat offenders appear in court, the Department informs the sentencing judge of any unpaid fines.

The Department has implemented a pilot project at one court location to ensure that when repeat offenders appear in court, the Department informs the sentencing judge of any unpaid fines.

Internal audit needs strengthening

The Department's objectives for the internal auditor include providing senior management with information on the effectiveness of the Department's processes to safeguard public resources and ensure that its revenues and expenses comply with the law.

The Department has not directed its internal auditor to meet its expectations.

The internal auditor's work focuses almost exclusively on revenue that the Department collects through court offices and local registrars. The Department should ensure that the internal auditor focuses on those activities where the Department is at risk of loss of public money, e.g., payments for community justice.

We reported this matter in previous reports. In June 2004, PAC agreed with our recommendation.

We continue to recommend that the Department of Justice focus the work of its internal auditor on the activities where the Department is at greatest risk of loss of public money.

We are pleased with the Department's progress on this issue. It has developed a risk assessment process for the Department. Management told us that the 2004-05 internal audit plan will be based on this risk assessment process.

Public Service Commission

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Main points

The Public Service Commission (Commission) leads human resource management in the Government's departments. At March 31, 2004, it had adequate rules and procedures to safeguard public resources and complied with authorities governing its activities.

Effective human resource planning helps the Government have the right people, in the right place, and at the right time. This helps the Government provide public services and meet its strategic goals.

Government departments plan for their human resources. The Commission provides oversight for department planning. It also provides strategic direction and coordinates planning for human resources across the entire public service.

This chapter outlines the criteria we are using in our audit to examine whether the Commission has adequate processes to lead human resource planning across departments. Having adequate processes means that the Commission:

- guides human resource planning;
- manages human resource risks across departments;
- analyzes department human resource planning; and
- builds capacity for human resource planning within departments.

We are sharing the criteria to help other agencies that are responsible to guide human resource planning.

Introduction

In this chapter, we set out a brief overview of the Public Service Commission (Commission), the results of our 2004 audit of the Commission, and criteria we are using in our audit to examine whether the Commission has adequate processes to lead human resource planning across departments.

Understanding the Commission

Under *The Public Service Act, 1998,* the Commission is responsible for representing the public interest in human resource management of staff employed primarily by the Government's departments. Government departments employ about 10,500 staff based on full-time equivalents.

The Commission provides the human resource policy framework in which the departments must operate. In addition, it is the employer representative for all of the departments in labour negotiations. The quality and strength of the Commission's policies and corresponding human resource strategies are important not only to the success of the Commission but to the success of the departments.

For further details on the Commission's mandate and governing legislation, consult its publications at its web site at http://www.gov.sk.ca/psc/publications.htm.

Financial overview

The following is a list of the Commission's major programs and spending. For further detail, see the Commission's 2003-2004 Annual Report available on its web site.

	Original Estimates[1]	Actual
	(in thousands of dollars)	
Administration	$ 1,480	$ 1,501
Accommodation and Central Services	711	698
Human Resource Information Services	1,286	1,226
Employee Relations	1,570	1,538
Human Resource Development	2,772	2,900
Aboriginal Internship and Management Development Program	735	652
	$ 8,554	$ 8,515

Audit conclusions

The following are our audit conclusions for the fiscal year ending March 31, 2004.

In our opinion:

- **the Commission had adequate rules and procedures to safeguard public resources and comply with authorities governing its activities; and**
- **the Commission complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing.**

The rest of this chapter discusses our planned audit of human resource planning at the Commission.

The importance of human resource planning

To have the right people, in the right jobs, at the right time, the Government needs to have effective human resource planning. Human resource planning enables the Government to provide public services effectively and meet its goals.

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[1] Saskatchewan Finance, *Saskatchewan Estimates 2003-04*

In Saskatchewan, there is shared accountability for human resource planning between the Commission and the departments. The Commission is accountable to:

- lead the development of a Corporate Human Resource Plan;[2]
- coordinate human resource initiatives across the departments;
- ensure alignment of activities with priorities across the departments;
- establish measures, evaluating and reporting progress in human resource planning; and
- provide an annual progress report on human resource planning activities for both the Commission and departments.

The departments are accountable to:

- partner with the Commission in developing the Corporate Human Resource Plan;
- ensure alignment of the departmental actions to the Corporate Human Resource Plan;
- provide progress reports to the Commission on human resource planning activities under their plan; and
- support human resource priorities across departments.[3]

The public service includes more than 10,000 government employees, primarily in departments.[4] It does not include employees of most Crown corporations, commissions, and agencies, except where legislation specifically includes them. These agencies have separate human resource planning processes.

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[2] The Corporate Human Resources Plan, which integrates human resources actions planned by all departments, is contained in the *2004-2005 Saskatchewan Provincial Budget Performance Plan, Saskatchewan Public Service Commission*.

[3] Based on Public Service Commission, 2003-04 Annual Report, p.5.

[4] Public Service Commission, 2003-04 Annual Report, p.5.

The Commission has identified trends and issues that present risks to the adequacy of the Government's human resources. For example:

- demographic shifts will affect the Government's ability to attract and retain employees;
- the need for a supportive workplace and work environments that promote learning; and
- the need to modernize human resource management systems, processes, and practices.[5]

By effectively leading human resource planning across the departments, the Commission can assist the Government to manage these risks, deliver services, and achieve its goals.

Leading human resource planning—criteria

During 2004-05, we are auditing whether the Public Service Commission has adequate processes to lead human resource planning across the departments. This section does not contain the results of this audit but sets out our audit objective and outlines our audit criteria. To help improve how the Government is managed, our Office encourages sharing of criteria. In this section, we share the criteria to help other agencies that guide planning for multiple organizations.

Our criteria describe the key processes that we expect the Commission to use to lead human resource planning across departments. To identify these criteria, we examined international literature, government documents, and the work of other legislative auditors. A recognized expert in the area of human resource planning assisted us. The Commission agrees with these criteria. (See Exhibit.)

Exhibit—Audit criteria

Adequate processes to lead human resource planning across departments means that the Public Service Commission will:

1. Guide human resource planning strategically over the long term
    - 1.1. develop mechanisms to align with the Government's strategic direction;
    - 1.2. set out guidelines for department human resource planning;
    - 1.3. communicate the Government's human resource priorities;
    - 1.4. provide planning expertise to departments;

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[5] Public Service Commission, Departmental Plan 2004-05 & 2005-06, January 2004, p.3.

  - 1.5. provide departments with access to reliable planning information.

2. Manage human resource risks across departments
   - 2.1. consult with stakeholders about emerging issues;
   - 2.2. identify key human resource risks including optimal risk levels;
   - 2.3. develop action plans to address human resource risks;
   - 2.4. share relevant strategies to address risks;
   - 2.5. monitor achievement of planned human resource results across departments.
3. Analyze department human resource planning
   - 3.1. assess key planning processes of departments;
   - 3.2. evaluate plans of departments;
   - 3.3. provide feedback to departments.
4. Build capacity for human resource planning within departments
   - 4.1. remove barriers to capacity of departments;
   - 4.2. share best practices with departments;
   - 4.3. facilitate training for human resource planning.

In the next four sections, we outline the criteria we will use to examine whether the Commission has adequate processes to lead human resource planning across departments. These are not audit findings.

Guide human resource planning

The Commission is responsible to guide the departments' human resource planning strategically and over the long term. Department human resource plans must align with the Government's strategic direction. We expect the Commission would develop mechanisms to promote this alignment.

We expect the Commission to communicate the Government's human resource priorities to departments. These priorities would describe the Government's overall expectations for human resources. The expectations would specify intended achievements (i.e., performance targets) and would outline how to measure progress (i.e., performance measures).

To lead human resource planning, we expect the Commission to provide guidelines for both the planning processes and the content of department plans. The guidelines could address issues often faced by departments.

The Commission would provide departments with access to reliable human resource planning information. Information such as demographics, and workforce supply and demand forecasts would help guide department planning. It would assist departments to identify long-term risks to their human resources. The Commission would consult with departments and also provide technical assistance and expert advice.

Manage human resource risks across departments

Part of the Commission's role to lead human resource planning across government is to identify and manage key human resource risks. This includes risks facing the departments as well as the Government as a whole.

We expect the Commission to regularly consult with departments and other stakeholders (such as Crown agencies, other levels of government, and business). The Commission would use these consultations to identify emerging issues. The Commission would highlight key human resource trends and risks. We expect the Commission would develop action plans and share important strategies to manage the risks it identifies.

As part of managing risks, we expect the Commission to monitor the achievement of desired human resource results. We expect the Commission would establish measures and targets to help monitor progress across departments. Further, we expect the Commission would report human resource results.

Analyze department human resource planning

To lead human resource planning across government, we expect the Commission to evaluate the human resource plans produced by the departments. The Commission would provide timely feedback to departments on these plans. It would alert departments to gaps in their plans. We expect the Commission would identify areas where department plans did not align with the Government's strategic direction, and provide advice.

We also anticipate that the Commission would assess the processes that departments used to develop their human resource plans. It would provide feedback to departments to help them continuously improve their processes for human resource planning.

Build capacity for human resource planning within departments

Leading human resource planning across departments also means helping departments to increase their capacity to plan for human resources.

Sufficient competencies and resources are key to effectively planning for human resources. We expect the Commission to work with departments to identify barriers that impede their ability to plan. We anticipate that the Commission will help departments to remove these barriers.

We expect the Commission to build department capacity to plan by serving as a source of information and advice for human resource planning. We anticipate that the Commission would identify and share best practices. We expect the Commission would facilitate training designed to assist departments to improve their capacity.

Next steps

We will use the criteria described above to audit the Commission's processes to lead human resource planning across departments. We plan to report the results of our audit in Volume 1 of our 2005 Report to the Legislative Assembly.

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Labour

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Main points

We report that the Department of Labour had adequate processes to safeguard public resources and comply with the law.

Also, we describe progress in how the Department helps injured workers with their claims for compensation from the Workers' Compensation Board. The Department has dramatically reduced the length of time that injured workers must wait for assistance. However, the Department has not yet created systems to maintain this success.

We will continue to monitor the Department's actions on our 2003 recommendations.

Introduction

The Department of Labour (Department) works with employees and employers to promote health and safety, co-operation, fairness, and equity in Saskatchewan workplaces. In co-operation with working people, unions, employers, and other organizations, the Department is responsible to:

- develop, promote, and enforce the legislative framework for labour relations, labour standards, and occupational health and safety;
- provide prevention, education, and training services for Saskatchewan workplaces;
- help prevent and resolve workplace disputes; and
- develop policies and programs that lead to safe, fair, and productive workplaces.

The following is a list of major programs and spending reported in the Department's 2003-04 Annual Report (see http://www.labour.gov.sk.ca.)

	Original Estimates	Actual
	(in millions of dollars)	
Occupational Health and Safety	$ 5.0	$ 5.1
Labour Support Services	2.7	2.5
Administration	1.1	1.2
Labour Standards	1.8	1.6
Accommodation and Central Services	1.4	1.3
Other	2.2	2.1
	$ 14.2	$ 13.8

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2004:

- **the Department had adequate rules and procedures to safeguard public resources; and**

- **the Department complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.**

The remainder of this chapter describes the Department's progress up to October 2004 to provide timely help to workers to claim compensation for workplace injuries.

Worker's advocates assist injured workers—a follow-up

One of the mandates of the Department is to assist injured workers who seek help to claim compensation from the Workers' Compensation Board (WCB). The Department carries out this mandate through the Office of the Worker's Advocate.

For over a decade, the Department did not provide timely service to workers. At one point, injured workers waited up to two years for help with their claims for compensation. Prior to 2003, as many as 600 workers were waiting for assistance.

In 2003, we audited the Department's processes to assist workers (or their dependants) who seek help with their claims for compensation from the WCB. In Chapter 8 of our 2003 Report – Volume 3, we reported our audit results. We concluded that the Department had adequate processes to assist workers who seek help with their claims for compensation from WCB, except for the two areas where we made recommendations.

We recommended that the Department set clear expectations for assistance to injured workers, align resources with its expectations, and monitor achievement of its expectations. On June 30, 2004, the Standing Committee on Public Accounts agreed with our recommendations.

The following sets out our specific recommendations in italics and related actions by the Department to address them.

Improve processes to assist workers with claims

In 2003, we recommended the Department should improve its processes to assist workers with their claims for compensation. The improvements *should include setting clear performance expectations and aligning resources to meet them.* For example, we expected the Department to set expectations for the nature and quality of worker's advocate services and how long injured workers would wait for assistance.

Set performance expectations

Starting in late 2002, the Department began to improve its processes to help workers claim compensation related to workplace injuries. The Department revised how it expected staff to carry out their work. It documented the new procedures in memoranda. The Department plans to develop a procedure manual in future. By October 2004, injured workers waited six weeks for help with their claims.

The Department noted that during April to October 2004, the number of injured workers asking for help with their claims rose sharply. The Department estimates the number of requests for help in 2004-05 could be up to 50% more than in 2003-04. The additional demand may be due to high injury rates, more referrals, or other factors.

The Department has not identified the quality or timeliness that it expects worker's advocate services can reasonably provide on an ongoing basis. The Department's performance plan sets out objectives and measures for other parts of the Department. The performance plan does not mention the Office of the Worker's Advocate.

Align resources with expectations

During 2003 and 2004, the Department dramatically shortened the length of time that injured workers wait for help with their claims (e.g., from 25 months in April 2003 to 6 weeks in October 2004). The Department achieved this more timely service by reallocating existing resources and streamlining its procedures.

The Department continues to search for efficient ways to use its resources. In addition, the Department has estimated the resources required if the demand for Worker's Advocate services continues to rise. However, without specific performance expectations, the Department has few guidelines to decide what resources are reasonable to provide timely worker's advocate services.

Monitor and review performance

In 2003, we recommended the Department should improve its processes to monitor the achievement of its performance expectations for worker's advocate services. The improvements should include the regular review of written analysis of performance, for example by senior managers.

The Department needs to set clear expectations before it can monitor the performance of the Office of the Worker's Advocate in a meaningful way.

The Department's senior managers receive written and verbal monthly reports from the Office of the Worker's Advocate. The written reports document the number of workers waiting and the timeliness of service. The reports compare performance to the prior month, but do not show trends or other analysis of performance.

Further Department action necessary

The Department significantly reduced the length of time that injured workers must wait for assistance. We congratulate it for this success.

The Department has not yet created systems to maintain this success. The Department needs specific expectations, aligned resources, and a regular review by its senior managers of written progress reports that analyze progress toward expectations.

Without systems to set expectations and monitor performance trends, the Department may risk a return to long waiting periods for injured workers to get help with their claims to WCB. We will continue to monitor the Department's actions on the recommendations we made in 2003.

Agriculture, Food and Rural Revitalization

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Main points

In this chapter, we report the results of the audit of the Department of Agriculture, Food and Rural Revitalization (Department) and the special purpose funds and agencies for which it is responsible.

The Department needs a process to oversee the operations of the Saskatchewan Agricultural Stabilization Fund. Inadequate and incomplete financial, operational, and compliance reports increase the risk of the Department making inappropriate decisions.

The Saskatchewan Crop Insurance Corporation's internal auditor needs to prepare an adequate work plan and have it approved by the Board. The plan should focus on the areas that present the greatest business risks to the Corporation.

The Department needs to improve its budgeting and financial reporting processes for the Pastures Revolving Fund. Also, it needs to update its policies and procedures manual to include guidance on preparing financial statements.

Finally, the Department needs to establish processes to monitor a research centre's use of public money.

Introduction

The mandate of the Department of Agriculture, Food and Rural Revitalization (Department) is "to foster a commercially viable, self-sufficient, and sustainable agriculture and food sector, and healthy and diverse rural communities. Working with individuals, businesses, communities, and governments, the Department assists farmers and ranchers, encourages higher value production and processing, and promotes sustainable economic and social development in rural Saskatchewan."[1]

Financial overview

The following table sets out the Government's total expenditures and revenues for the agricultural programs it administers through the Department and other agencies that the Government controls. The Government's summary financial statements for the year ended March 31, 2004 reflect this information.

	2004	2003
	(millions)	
Agricultural expenditures by program:		
Crop insurance	$ 420	$ 1,126
Farm stability	177	138
Other	77	64
	$ 674	$ 1,328
Agricultural revenues by source:		
Federal Government	$ 176	$ 565
Producers' crop insurance premiums	126	86
Interest on loans and investments	7	7
Sales, services, fees, permits, and other	35	36
	$ 344	$ 694

The Department's 2003-2004 Annual Report (available at http://www.agr.gov.sk.ca) contains information about the Department's revenues and expenditures. The Public Accounts compendium (see http://www.gov.sk.ca/finance/paccts/) reports the revenues and expenses of the Department's special purpose funds and agencies listed below, except for agencies under the Agri-Food Council, which are reported in the Council's annual report.

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[1] Saskatchewan. Department of Finance. (2003). *2003-04: Saskatchewan provincial budget: building for the future: Estimates*. Regina: Author. page 25.

Special purpose funds and Crown agencies

The Department is responsible for the following:

	Year-end
Agricultural Credit Corporation of Saskatchewan	March 31
Agri-Food Council	March 31
Agricultural Implements Board	March 31
Agri-Food Innovation Fund	March 31
Beef Development Board	March 31
Cattle Marketing Deductions Fund	March 31
Horned Cattle Fund	March 31
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31
Livestock Services Revolving Fund	March 31
Milk Control Board	December 31
Pastures Revolving Fund	March 31
Prairie Agricultural Machinery Institute	March 31
Saskatchewan Agricultural Stabilization Fund	March 31
Saskatchewan Crop Insurance Corporation	March 31
Crop Reinsurance Fund of Saskatchewan	March 31
Agencies under the Agri-Food Council	
Saskatchewan Alfalfa Seed Producers' Development Commission	July 31
Saskatchewan Broiler Hatching Egg Producers' Marketing Board	December 31
Saskatchewan Canola Development Commission	July 31
Chicken Farmers of Saskatchewan	December 31
Saskatchewan Commercial Egg Producers' Marketing Board	December 31
Saskatchewan Flax Development Commission	July 31
Saskatchewan Mustard Seed Development Commission	July 31
Saskatchewan Pulse Crop Development Board	August 31
Saskatchewan Sheep Development Board	September 30
Saskatchewan Turkey Producers' Marketing Board	December 31
Sask Pork	July 31

Key risks

It is important that the Members of the Legislative Assembly (MLAs) and the public know the key risks facing a government department. Also, they should receive information on these risks to understand and assess a department's performance. We think sharing our understanding of the key risks will help the MLAs and the public better understand and assess a department's performance.

We identified the key risks the Department must manage well to be successful. The Department must ensure that:

- Saskatchewan is able to compete successfully in world agricultural markets;
- Saskatchewan's agricultural production and processing industries are sustainable and commercially viable;
- Saskatchewan's agricultural production and processing industries provide reasonable investment opportunities; and
- Saskatchewan's agricultural production and processing industries are adequately diversified from primary agricultural products to higher value products.

We identified the key risks through discussions with management and reviewing the Department's web site and annual report. Management confirmed that these are the key risks facing the Department. We have not audited the systems and practices the Department uses to manage its key risks.

Our audit conclusions and findings

This chapter contains our audit conclusions and findings for the Department for the year ended March 31, 2004 and for its special purpose funds and agencies with March 31, 2004 or July 31, 2004 year-ends where we participated in the audit.

We did not participate in the audits of agencies under the Agri-Food Council except for Sask Pork, Saskatchewan Canola Development

Commission, and Saskatchewan Mustard Seed Development Commission. Instead, as part of our audit of the Department, we examine the supervisory work carried out by the Council regarding those agencies' financial statements and their processes to safeguard public resources, and comply with legislative authorities.

Our Office worked with the following appointed auditors:

- KPMG LLP
  - Saskatchewan Agricultural Stabilization Fund
  - Saskatchewan Crop Insurance Corporation
  - Crop Re-insurance Fund of Saskatchewan

- Meyers Norris Penny LLP
  - Agricultural Credit Corporation of Saskatchewan

- Deloitte & Touche LLP
  - Sask Pork

To complete our work we used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (see our web site at http://www.auditor.sk.ca/rrd.html). Our Office and the appointed auditors formed the following opinions.

In our opinion, for its special purpose funds and agencies with March 31, 2004 or July 31, 2004 year-ends where we participated in the audit:

- **the Department, its special purpose funds, and its agencies had adequate rules and procedures to safeguard public resources except for the Saskatchewan Agricultural Stabilization Fund, Saskatchewan Crop Insurance Corporation, Pastures Revolving Fund and Horned Cattle Fund;**

- **the Department, its special purpose funds, and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the Pastures Revolving Fund; and**

- **the financial statements of the Department's special purpose funds and agencies are reliable except for the Saskatchewan Agricultural Stabilization Fund. In KPMG's opinion, the financial statements of the Saskatchewan Agricultural Stabilization Fund are reliable.**

We did not rely on KPMG's opinion on Saskatchewan Agricultural Stabilization Fund's financial statements.

The Provincial Auditor Act requires us to do additional work when we are unable to rely on the report of an appointed auditor. Our additional work consisted of reviewing the agreements between Canada and Saskatchewan and discussion with the Department's management.

Saskatchewan Agricultural Stabilization Fund

The Department administers the Saskatchewan Agricultural Stabilization Fund (SASF).

SASF reports the transactions of the following seven programs:

The New Crops Insurance Program
The Big Game Damage Compensation Program
The Waterfowl Damage Compensation Program
The Agricultural Income Disaster Assistance Program (AIDA)
The Canadian Farm Income Program (CFIP)
The Canada-Saskatchewan Bovine Spongiform Encephalopathy Recovery Program (BSE)
Canada-Saskatchewan Assistance Program

SASF's 2004 Annual Report includes its financial statements for the year ended March 31, 2004. Those financial statements report revenues of $103.9 million and expenses of $90.3 million. The financial statements also report net financial assets of $23.6 million at March 31, 2004.

The Governments of Canada (Canada) and Saskatchewan agreed to share the costs of these programs. The Government of Saskatchewan (Saskatchewan) administers all the programs except AIDA and CFIP. Canada administers AIDA and CFIP. The laws governing these programs and the agreements between Canada and Saskatchewan require that all money paid into SASF can only be used for the purposes of these programs. In addition, the Department must return any money received and not used to pay for program costs to Canada and Saskatchewan at the end of the programs. SASF operates on a break-even basis except for the interest income earned on advances, which it may keep. Accordingly, these advances received should be recorded as liabilities (i.e., as amounts owed back to Canada and Saskatchewan) until SASF incurs related program costs. When SASF incurs those program costs, it should deduct an equal amount from liabilities and record the amount as revenue to offset the program costs.

Reliability of the financial statements

The financial statements of SASF are not reliable.

SASF's 2004 financial statements overstate revenue and its annual surplus (i.e., annual income) for 2004 by $2.8 million. Also, the financial statements understate SASF's liabilities (what it owes to others) by $12.8 million. This information gives readers of the financial statements the wrong message. The message given is that revenues exceed expenses by $13.6 million and that SASF has $23.6 million on hand that it can keep because it is no longer required to pay for future program costs. In fact, SASF's revenues were lower than reported by $2.8 million in 2004. In addition, it must either use $12.8 million of the reported net assets to pay for future program costs or return the money to the General Revenue Fund (GRF).

The errors in SASF's financial statements result from the Department incorrectly recording transfers from the GRF. The Department correctly records all money received from Canada. The Department records revenue equal to Canada's share of program costs. The Department records money received from Canada in excess of its share of program costs as a liability owing to Canada until the Department incurs costs under the program. This accounting follows the accounting standards of The Canadian Institute of Chartered Accountants (CICA). However, the Department incorrectly records transfers received from the GRF. It records this money as revenue immediately, regardless of when the Department incurs the program costs.

The Department should record money received in advance as a liability and later as revenue when it incurs related program costs. Also, because

SASF operates on a break-even basis for the money received from Canada and Saskatchewan, its only net assets should be interest earned on advances.

We also reported this matter in our 2003 Report – Volume 3 and in previous reports.

We continue to recommend that the Department record money received from the GRF as a liability of SASF until it incurs the related program costs or until it returns the money to the GRF.

The Department thinks that because SASF and the GRF are part of the Provincial Government, any restrictions between them cannot be considered external. Therefore, the Department thinks it is appropriate to record the money received from Canada and the GRF differently.

We disagree. We think it is irrelevant that SASF and the GRF are part of the Provincial Government. The shared-cost agreements between Canada and Saskatchewan restrict the use of money contributed under those agreements for specific purposes. The GRF provided money under the agreements and until SASF spends the money for those purposes, it has a debt to the GRF.

On November 5, 2002, the Standing Committee on Public Accounts (PAC) deferred a decision on our recommendation pending the results of a CICA project that is examining accounting standards concerning government transfer payments. The CICA project is not finished.

Operations need monitoring

The Department needs to set up processes to oversee the SASF's operations.

The Department needs to define the financial, operational, and compliance reports necessary to monitor the operations of SASF. Financial reports should include SASF's financial statements and explain the differences between the planned and actual financial results. These reports should also project results expected for the remainder of the year. Operational reports should show its progress towards what the SASF expects to achieve. Compliance reports should describe SASF's compliance with authorities (e.g., the law and policies).

The Department has not set out what financial, operational, and compliance reports it must receive regularly from those who manage SASF. Also, the Department has not set up a process to review those reports and give direction to staff.

Because the Department has not set out its reporting needs, SASF managers did not provide to the Department regular financial reports for SASF during the year. Nor did they provide regular operational and compliance reports on the activities of SASF.

Inadequate and incomplete financial, operational, and compliance reports increase the risk of inappropriate decisions.

1. **We recommend that the Department of Agriculture, Food and Rural Revitalization set out the financial, operational, and compliance reports it needs to monitor the Saskatchewan Agricultural Stabilization Fund.**

Saskatchewan Crop Insurance Corporation

The Saskatchewan Crop Insurance Corporation (SCIC) pays producers for crop losses due to weather-related and other natural perils. The Government of Canada participates in this insurance program. The agreement dated April 1, 2003 with the Government of Canada set out how much the Federal Government would pay for this program. The program guarantees a minimum crop yield and quality of grain to agricultural producers, subject to specific insurance decisions made by each producer.

In 2004, SCIC held total assets of $186.6 million, had revenues of $276.5 million, and had expenses of $275.7 million. SCIC's 2004 Annual Report (available at http://www.saskcropinsurance.com) includes its financial statements.

SCIC insured 30 million seeded acres and had 33,916 contracts for the 2003 crop year covering over 45 crops. SCIC incurred claim costs of $242.7 million for crop losses.

SCIC also manages the Crop Reinsurance Fund of Saskatchewan (Fund). SCIC pays to the Fund a portion of its total premium revenue. When SCIC incurs losses, the Fund pays SCIC for part of the losses. In 2004, the Fund had revenue of $41.7 million, expenditure of $93.5 million, and had a deficit of $134.2 million.

Internal audit function needs strengthening

SCIC needs to strengthen its internal audit function. To be effective, SCIC's internal auditor must provide assurance on the adequacy of the processes to safeguard public resources and to comply with the law. The auditor should focus work on the areas that present the greatest business risks to SCIC, e.g. premium rate setting processes.

Boards of agencies need independent assurance that management operates according to the board's direction. An independent internal auditor can provide such assurance. To be independent, the internal auditor should report directly to the board or to a committee of the board. Also, the internal auditor must provide audit plans including a risk assessment of all the agency's programs and activities for the board's approval. The Board should then receive regular reports from the internal auditor on audit findings.

SCIC's internal auditor focuses efforts on SCIC's adjusting claims processes. The internal auditor provides semi-annual reports to the Board. However, the Board does not receive and approve an audit plan for the internal auditor. The Board did receive some information about the internal auditor's work through SCIC's corporate plan and the internal auditor division's semi-annual reports.

To effectively oversee SCIC, the Board needs to receive an audit plan that includes a complete risk assessment of all SCIC's programs and activities. The Board can then determine if the proposed work plan adequately addresses all risks and provide adequate resources to the internal auditor.

2. **We recommend that the Board of Directors of Saskatchewan Crop Insurance Corporation approve a work plan for its**

internal auditor based on a risk assessment of the Corporation's activities.

Management told us it plans to improve its internal auditor's work plan.

Pastures Revolving Fund

The Pastures Revolving Fund (Fund) provides for the establishment, operation, management, and maintenance of pastures, programs, and services related to pasture and livestock management. It also provides programs related to developing, protecting, and promoting the environmental, social, and economic use of pastures.

For the year ended March 31, 2004, the Fund had revenues of $6.5 million, expenses of $6.2 million and held assets of $2.9 million.

Budget process needs improvement

The Department did not prepare a detailed operational budget for the Fund that supports the estimates it sent to Treasury Board for approval. Treasury Board's policy is to approve the budgets of all revolving funds and any revisions to those budgets. According to paragraph 3210.26 of the Financial Administration Manual, revolving fund budgets are to include a detailed operational budget, i.e., a pro-forma income statement that outlines revenues, expenses, and resulting surplus/deficit and a cash flow budget.

Budgets are normally prepared and approved for the upcoming year in the fall. However, the Department did not prepare a detailed operational budget for the Fund's current year (2003-04) until March 2003. Therefore, in October 2002, the Department only gave Treasury Board estimates of the Fund's total revenue and total expense. The Department did not document how it determined these two estimates. Treasury Board approved the Department's budget submission with those estimates.

When the Department prepared the detailed 2003-04 budget for the Fund, it differed significantly from the revenue and expense totals approved by Treasury Board. For example, budgeted revenue was $645,000 less than the approved amount and budgeted expenses were $310,000 higher than the approved amount. The Department did not send these revisions to Treasury Board for approval. The Department then changed some of the Fund's detailed budget figures to make the totals agree with those approved by Treasury Board. The Department used this incorrect budget to manage the Fund and prepare financial reports. When an agency uses incorrect budgets in internal and external financial reports to manage operations or explain variances, there is an increased risk of making inappropriate decisions.

Adequate guidance for preparation of the Fund's budget is set out in the Fund's Policies and Procedures Manual. Following this guidance would satisfy the requirements set out in the Financial Administration Manual. However, staff did not comply with the established guidance to prepare the budget.

The Department should prepare a detailed budget for the Fund in the fall to support the information before sending it to Treasury Board for approval. Alternately, the Department should submit the detailed budget it prepares in March to Treasury Board for approval. The Department should use forecasts to manage any changes that arise later. This will ensure that the Fund's approved budget appropriately reflects its planned operations. It will also allow the Department and Treasury Board to review the Fund's actual performance against the approved plan.

3. **We recommend that the Department of Agriculture, Food and Rural Revitalization prepare a detailed budget for the Pastures Revolving Fund to support the estimates information before sending it to Treasury Board for approval.**

Financial reporting needs improvement

In 2003-04, the Department did not prepare financial statements that accurately reflect the Fund's financial position and operating results.

The Financial Administration Manual states that the Fund's financial statements must be prepared in accordance with Canadian generally accepted accounting principles (GAAP). It also requires revolving funds to prepare and submit quarterly financial statements to Treasury Board.

Staff did not prepare the Fund's year-end financial statements in accordance with GAAP. An adequate review of the supporting information used to prepare the financial statements would have identified the information that was incorrect or insufficient. The financial statements presented for audit contained three significant errors as follows:

- the unearned portion of billings for petroleum leases was not recorded as a liability;
- some capital assets were not properly classified or amortized; and
- accounts receivable was not properly valued.

As a result, the financial statements presented for audit contained the following misstatements:

- accounts receivable was understated by $57,500;
- capital assets was understated by $28,700;
- unearned revenue was understated by $331,100;
- accounts payable was understated by $46,800;
- accumulated operating deficit was understated by $280,600;
- amortization expense was understated by $10,500;
- repairs and improvements expense was overstated by $39,200; and
- bad debt expense was overstated by $68,700.

We worked with the Department to quantify these errors and it corrected the financial statements. However, the correction of these errors and the audit of the revised financial statements took an additional two months. As a result, the Department was unable to comply with the June 29, 2004 deadline for submission of audited financial statements to its Minister, as set out in *The Tabling of Documents Act, 1991*. The final draft financial statements were completed and submitted to Treasury Board for approval on August 27, 2004.

Also, the Department did not prepare quarterly financial statements using GAAP for submission to Treasury Board. Instead, the Department managed the Fund using income and expense reports prepared on the cash basis. Incorrect or inadequate financial statements increase the risk of making incorrect management decisions. Also, the Department should improve its rules and procedures to ensure that management adequately reviews the supporting documentation used to prepare the financial statements.

4. **We recommend that the Department of Agriculture, Food and Rural Revitalization prepare the Pastures Revolving Fund's financial statements in accordance with Canadian generally accepted accounting principles.**

Manual needs improvement

The Department needs to update the Fund's Policies and Procedures Manual to include guidance for financial reporting.

Written guidance forms part of an agency's system of internal control. Usually, an accounting policies and procedures manual provides such guidance. This manual can be a guide to staff as they carry out their duties. Recorded policies and procedures help in the orderly and efficient conduct of business and help ensure financial reports are accurate.

An accounting policies and procedures manual should include:

- a description of the information needs of senior management and central agencies;
- job descriptions for all staff positions including delegated authority levels;
- a description of the significant accounting policies together with procedures necessary to ensure financial reports are properly prepared in accordance with GAAP; and
- detailed administrative control procedures for all accounting systems.

In prior years, we reported that the Department needed to prepare a complete accounting policies and procedures manual for the Fund. It did so, but recently removed key material related to the preparation of financial reports. The misstatements in the Fund's financial statements noted above are due in part to this lack of guidance to staff on the preparation of financial reports.

5. **We recommend that the Department of Agriculture, Food and Rural Revitalization include guidance for financial reporting in the Pastures Revolving Fund's Policies and Procedures Manual.**

Removal of livestock without payment

The Department did not follow the law when it permitted patrons to remove their livestock from government-operated pastures without full payment of their accounts.

Subsection 22(7) of *The Pastures Regulations* states that patrons must pay all outstanding fees before removing livestock from a pasture. In 2003-04, Department officials directed pasture managers to waive this requirement. They told us this was due to financial hardship faced by livestock producers. Consequently, the Department permitted patrons who owed a total of $935,000 to remove their livestock from pastures without full payment of all outstanding fees. Instead, it accepted cheques post-dated for up to six months, considering that to be payment. The Department has since collected substantially all of the amounts owing.

The method to amend a regulation (permanently or temporarily) is to seek Cabinet approval (i.e., an Order in Council). The Department should have obtained an Order before changing the fee collection policy set out in the law.

6. **We recommend that the Department of Agriculture, Food and Rural Revitalization comply with *The Pastures Regulations* for the payment of outstanding pasture fees.**

Horned Cattle Fund

The Horned Cattle Purchases Act established the Horned Cattle Fund (Fund).The purpose of the Fund is to promote research and development in the livestock industry and to pay the Fund's administration expenses.

The Minister of Agriculture and Food (Minister) appointed the Horned Cattle Purchases Act Advisory Committee to administer the Fund. The Department of Agriculture, Food and Rural Revitalization (Department) manages the operations of the Fund.

For the year ended March 31, 2004, the Fund had revenue of $290,705, expenses of $336,028 and held net assets of $177,287 at year-end.

Agreement needs monitoring

The Department needs to know that the money it gives to research centres is safeguarded and used for authorized purposes.

The Minister made a five-year agreement with a research centre on November 1, 2001. Under the agreement, the Fund loaned cattle to the centre for research purposes. The agreement allows the centre to sell these cattle to generate research funds. The money received from the sale of these cattle belongs to the Department. The Department receives this money and pays an equal amount back to the centre for research purposes. For the year ended March 31, 2004, the centre reported that it collected revenue of $195,064 and incurred expenses of $195,064 for the Fund.

The Department does not have processes to know whether the centre properly safeguards public resources and complies with the terms of the agreement. In 2002, the Department instructed its staff to begin regularly monitoring the centre without specifying the monitoring procedures that they must do. Department staff monitored the centre for the year ended March 31, 2003 by reviewing the centre's accounting records and analyzing the reasonability of the centre's spending. However, for the year ended March 31, 2004, we did not see evidence of such monitoring. Accordingly, the Department does not know if the centre properly safeguarded public resources and complied with the terms of the agreement.

7. **We recommend that the Department of Agriculture, Food and Rural Revitalization establish rules and procedures to know whether the money it gives to research centres is safeguarded and used for authorized purposes.**

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Culture, Youth and Recreation

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Main points

Although the Department of Culture, Youth, and Recreation is a relatively small department, it is responsible for a large number of special purpose funds and Crown agencies.

Documenting key processes in manuals or guides provides staff with clear direction and guidance on carrying out their responsibilities. In common with many other agencies, personnel at the Department is changing. As indicated in this chapter, the Department uses a variety of processes to oversee these agencies. We recommend that the Department document those processes.

Introduction

In this chapter, we provide a brief overview of the mandate and spending of the Department of Culture, Youth and Recreation. We also set out the results of our audit of the Department and the agencies for which it is responsible for fiscal years ended up to May 31, 2004.

The Department's mandate is to support and enhance culture, youth, and recreation sectors in Saskatchewan and administer various heritage programs. The Department's vision is that "all Saskatchewan people are engaged in the ongoing success of the Province."

The Department's web site contains its annual reports, other key publications, and further information about its programs. It is located at http://www.cyr.gov.sk.ca.

Special purpose funds and Crown agencies

At March 31, 2004, the Department is responsible for the following special purpose funds and Crown agencies:

	Year-End
Community Initiatives Fund	March 31
Doukhobors of Canada C.C.U.B Trust Fund Board	May 31
Saskatchewan Archives Board	March 31
Saskatchewan Arts Board	March 31
Saskatchewan Communications Network Corporation	March 31
Saskatchewan Heritage Foundation	March 31
Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation	March 31
Western Development Museum	March 31

Each special purpose fund and Crown agency tables separate financial statements and/or annual reports in the Legislative Assembly. Copies of these are available as publications at http://www.gov.sk.ca/finance/.

Financial overview

For the year ended March 31, 2004, the Department spent $47.7 million including $7.4 million for film employment tax credits and had revenues of

$14 million primarily lottery licence fees from the Saskatchewan Lottery Trust Fund for Sport, Culture and Recreation.

The following is a list of major programs and spending reported by the Department.

	Original Estimates	Actual
	(in millions of dollars)	
Culture	$ 12.2	$ 14.5
Heritage	10.0	10.2
Community Initiatives Fund	8.6	7.1
Saskatchewan Communications Network	5.8	5.8
Youth	3.3	3.3
Recreation	1.6	2.9
Accommodation and Central Services	1.2	2.9
Administration	1.0	1.0
	$ 43.7	$ 47.7

The Department's *2003-2004 Annual Report* explains the differences between the actual expenses and original estimates. This report is available through its web site.

Audit conclusions and findings

Virtus Group LLP Chartered Accountants & Business Advisors is the appointed auditor of the Community Initiatives Fund, the Saskatchewan Communications Network Corporation, and the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation.

To carry out each audit and form the opinions below, we worked with Virtus Group. We used the framework recommended by *The Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (see http://www.auditor.sk.ca/rrd.html).

In our opinion for the fiscal years ended up to May 31, 2004:

- **the 2004 financial statements for the funds and agencies listed above are reliable except for the Community Initiatives Fund and the Saskatchewan Lotteries Trust Fund for Sport,**

Culture and Recreation. In Virtus Group's opinion, the financial statements of the Community Initiatives Fund and the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation are reliable;

- **the Department and its agencies had adequate rules and procedures to safeguard public resources and comply with authorities governing their activities, except for the matter described in this chapter; and**

- **the Department and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.**

We did not rely on Virtus Group's opinions on the financial statements of the Community Initiatives Fund and the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation. *The Provincial Auditor Act* requires us to do additional work when we are unable to rely on the reports of appointed auditors. Our additional work consisted of reviewing grant request forms, reviewing the schedule of approved grants, and discussions with management.

Findings—Department

Overseeing special purpose funds and agencies

The Department needs to document its processes to oversee the agencies for which it is responsible.

Departments must ensure their agencies use adequate controls to carry out their business, comply with authorities, and operate within their mandate. In addition, departments must ensure agencies contribute to the achievement of a department's goals and objectives. The nature and extent of a department's processes depend on the complexity, size, and nature of the agency's business. For example, for more complex agencies, a department could review and approve the plans and results (e.g., financial and non-financial) of an agency. In addition, it could monitor the agency throughout the year to identify and ensure issues are resolved on a timely basis.

The Department is responsible for two special purpose funds and six agencies. The size, complexity, and nature of operations of these agencies vary. The process the Department uses to oversee its agencies varies from agency to agency.

For example, departmental staff attended board meetings or reviewed copies of the board minutes for most of its agencies. For a few of the agencies, departmental officials met with the agency management on a regular basis. Participation on boards, review of board minutes, and regular meetings helped the Department oversee agencies.

The Department includes key actions of several of its agencies within its performance plan. During the year, the Department worked with most of its agencies to ensure their plans and processes were consistent with those of the Department. However, the Department has not documented the processes it expects its staff to use to oversee its agencies.

1. **We recommend that the Department of Culture, Youth and Recreation set out written processes to adequately oversee its agencies.**

Findings—Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation and Community Initiatives Fund

Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (Trust Fund)

In 1973, the Government of Saskatchewan made an agreement with the Governments of Alberta and Manitoba regarding the conduct and management of a lottery scheme. Under *The Interprovincial Lotteries Act, 1984*, the Government designated Sask Sport Inc. (Sask Sport), a non-profit organization, to conduct and manage the established lottery scheme in Saskatchewan.

The Minister of Culture, Youth and Recreation made an agreement with Sask Sport setting out terms and conditions of the designation. One of those terms and conditions required Sask Sport to create the Trust Fund to account for all monies received from the lottery scheme and all monies paid out on behalf of the Minister. The agreement requires Sask Sport to establish operating policies for managing the Trust Fund.

For the year ended March 31, 2004, the Trust Fund's financial statements reported lottery sales of $133 million (2003 - $134 million), net lottery profits of $41 million (2003 - $42 million), investment income of $1.0 million (2003 - $1.2 million), directed payments[1] of $16.2 million (2003 - $16.3), grants of $28.8 million (2003 - $27.8 million), and net assets of $16.3 million (2003 - $20.2 million).

Community Initiatives Fund (Initiatives Fund)

The Initiatives Fund was established in 1996 under *The Saskatchewan Gaming Corporation Act* (Act). The Lieutenant Governor in Council appoints the Initiatives Fund's Board of Trustees. The Trustees are responsible to manage and operate the Initiatives Fund. The Board of Trustees has an agreement with Sask Sport to provide administration services for the Initiatives Fund.

Under the Act, the Initiatives Fund receives a portion of certain government gaming revenues. The Act specifies that the Trustees can make payments from the Initiatives Fund:

- to charities and exhibition associations in Saskatchewan;
- to any organization or association representing Métis people in Saskatchewan;
- to any person, organization or association in Saskatchewan prescribed by the Lieutenant Governor in Council; or
- for any purpose prescribed by the Lieutenant Governor in Council.

For the year ended March 31, 2004, the Fund's financial statements report revenues of $7.3 million and expenses of $10.8 million, and net assets of $4.9 million.

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[1] Directed payments are the amounts that the Trust Fund is required to pay to the federal and provincial governments and certain other organizations under the agreement the Minister signed with Sask Sport.

Reliability of financial statements

The financial statements of both the Trust Fund and Initiatives Fund are not reliable. Each of these statements incorrectly reports grant expenses and the net assets. As we stated earlier, Sask Sport manages the Trust Fund and keeps the Initiatives Fund's accounts for the Trustees.

Canadian generally accepted accounting principles (GAAP) require public agencies to expense grants when they approve those grants and the receiving organizations have met the eligibility criteria. When public agencies approve grants for a future period, GAAP requires them to record grant expenses in the period in which the receiving agencies would use the grants.

Sask Sport does not follow GAAP to account for the grants of the Trust Fund. The Trustees do not follow GAAP to account for the grants of the Initiatives Fund. Both funds record grant expenses when the grants are approved, even when the receiving organizations will use the grants to pay for future expenses.

For the Trust Fund, Sask Sport approved in 2004 grants totalling $12.3 million (2003 – $12.0 million) to pay for future expenses of the organizations. Sask Sport recorded these grants as 2004 expenses. Sask Sport should not have recorded $12.3 million (2003 – $12.0 million) as grant expenses of the Trust Fund because those grants relate to future periods.

As a result, the Trust Fund's financial statements for the year ended March 31, 2004 overstate grant expense by $0.3 million, net loss (i.e., decrease in restricted funds) by $0.3 million, and grants payable by $12.3 million. In addition, the Trust Fund's financial statements understate the restricted funds by $12.3 million. The Department of Finance told us that Treasury Board approved the format of those financial statements.

For the Initiatives Fund, the Trustees approved in 2004 grants totalling $3.3 million to pay for future expenses of the receiving organizations. The Trustees recorded these grants as 2004 expenses. The Trustees should not have recorded $3.3 million as grant expenses of the Initiatives Fund because those grants relate to future periods.

As a result, the Initiatives Fund's financial statements for the year ended March 31, 2004 overstate grant expense by $3.3 million and net loss (i.e., deficiency of revenue over expenses) by $3.3 million. Also, at March 31, 2004, the Initiatives Fund's financial statements understate prepaid grants by $1.2 million and net assets by $3.9 million, and overstate grants payable by $2.7 million. The Department of Finance told us that Treasury Board approved the format of those financial statements.

In Chapter 13—Department of Agriculture, Food and Rural Revitalization, we report a similar matter about the reliability of the financial statements for the Saskatchewan Agricultural Stabilization Fund (Stabilization Fund) for the year ended March 31, 2004. We also reported that matter for the Stabilization Fund in our prior reports.

In November 2002, the Standing Committee on Public Accounts (PAC) considered the matter reported for the Stabilization Fund. PAC also heard that the Canadian Institute of Chartered Accountants (CICA) is currently examining accounting standards concerning grants to clarify principles for recording grants because the current standards are open to interpretation. PAC deferred its decision pending the results of the CICA's project.

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Public plans and annual reports assessments —Departments

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Main points

In 2003, the Department of Finance established guidelines for preparing public plans and annual reports for all departments and Treasury Board Crown corporations. The guidelines contain a four-year implementation schedule that recognizes that improved public reporting takes time and resources.

The guidelines are based on sound performance reporting principles. These guidelines will enable government agencies to effectively report their progress in achieving their plans.

We assessed the public plans and annual reports of departments and three Crown agencies for the year ended March 31, 2004. We found that the departments generally have met the current content requirements of the Department of Finance's reporting guidelines.

Introduction

For many years, our Office has encouraged improved performance reporting by the Government and its agencies. In 2003, the Department of Finance set guidelines for preparing performance reports for all departments, Saskatchewan Liquor and Gaming Authority, Saskatchewan Property Management Corporation, and Saskatchewan Public Service Commission.

The Department set out this guidance in its 2003 *Public Performance Reporting Guidelines* together with a four-year implementation schedule. The guidelines are based on public reporting principles developed by the CCAF[1] and set out in a publication called *Reporting Principles–Taking Public Performance Reporting to a New Level.*

The CCAF's publication is the result of a multi-year project on public performance reporting. It involved extensive research and consultation with government managers, auditors, and legislators throughout Canada. All legislative auditors in Canada have agreed to use these reporting principles when assessing government annual reports in their jurisdictions.

Public plans and annual reports of government agencies are key accountability documents. These reports, prepared in accordance with the Department of Finance's guidelines, should help the Legislative Assembly and the public to better assess the performance of government agencies. In this chapter, we report our assessment of 2003-04 public plans and annual reports prepared using the Department's guidelines.

Our audit objective

The objective of this audit was to determine whether the public plans and annual reports of agencies listed in Exhibit 1 for the year ended March 31, 2004 comply with the applicable content requirements of the Department of Finance's reporting guidelines and the CCAF reporting principles.

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[1] CCAF-FCVI is a public-private partnership that "is a source of support, leading edge research and capacity for members of governing bodies, executive management, auditors, and assurance providers."

We limited our audit to examining the content of the agencies' public plans and annual reports (reports). We did not assess the relevance or reliability of the information in the reports. For example, we did not assess whether agencies selected the performance measures that are the best indicators of a particular strategy, nor did we assess the accuracy, completeness, or validity of underlying information systems or data the agencies used to prepare the performance information.

Throughout the audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Exhibit 1 – Listing of agencies assessed

Department of Agriculture, Food and Rural Revitalization
Department of Community Resources and Employment
Department of Corrections and Public Safety
Department of Environment
Department of Government Relations and Aboriginal Affairs
Department of Finance
Department of Health
Department of Highways and Transportation
Department of Industry and Resources
Department of Justice
Department of Labour
Department of Learning
Liquor and Gaming Authority
Public Service Commission
Saskatchewan Property Management Corporation

Expectations for reports

Criteria represent our expectations or the main elements we look for in our audit. The audit criteria listed in Exhibit 2 are based on the full implementation of the Department of Finance's guidelines for public performance reports (see http://www.gov.sk.ca/finance/).

The Department of Finance's reporting guidelines recognize that implementing performance reporting principles will take time and resources. Accordingly, the guidelines contain a multi-year implementation schedule that recognizes that some reporting principles are more difficult to implement than others. For example, the guidelines do not require reporting on key risks, costs of activities, and capacity until future years. As a result, the guidelines do not expect a comprehensive level of reporting requirements for each principle in 2003-04. Other elements from the performance reporting principles such as reporting indicator targets, are not yet expected by the reporting guidelines. The guidelines will also need further refinement after completing the four year implementation schedule to meet all of the CCAF's reporting principles.

Exhibit 2 – CCAF reporting principles and audit criteria

The guidelines require the criteria noted in colour for the 2003-04 public plans and annual reports

1. **Focus on the few critical aspects of performance**
   - focus selectively and meaningfully on a small number of things
   - centre on core objectives and commitments
2. **Look forward as well as back**
   - set out the goals and how activities contribute to the goals
   - track achievements against expectations
3. **Explain key risk considerations**
   - identify the key risks
   - explain the influence of risk on choices and directions and relate achievements to levels of risk accepted
4. **Explain key capacity considerations**
   - discuss capacity factors that affect the ability to meet expectations
   - describe plans to align expectations and capacity
5. **Explain other factors critical to performance**
   - explain general factors such as changes in the economic, social, or demographic environment that affect results
   - discuss specific factors such as standards of conduct, ethics, and values; or performance of other organizations that influence performance
   - describe unintended impacts of activities
6. **Integrate financial and non-financial information**
   - explain the link between activities and desired results
   - show spending on key strategies and explain how changes in spending affect results
7. **Provide comparative information**
   - provide comparative information about past performance and about the performance of similar organizations when relevant, reliable and consistent information is reasonably available
8. **Present credible information fairly interpreted**
   - present information as credible as reasonably possible
   - explain management's involvement, judgment, and basis for interpretation of performance
   - information is consistent, fair, relevant, reliable and, understandable
9. **Disclose the basis for reporting**
   - explain the basis for selecting the few critical aspects of performance on which to focus
   - describe changes in the way performance is measured or presented
   - set out the basis on which those responsible for the report hold confidence in the reliability of the information being reported

Our conclusions and findings

We found that the agencies' public plans and annual reports for the year ended March 31, 2004 contain most of the current content requirements of the Department of Finance's reporting guidelines. The reports provide more performance information than they did previously and thus enhance the agencies' public accountability. We list our findings by principle in Exhibit 3.

The Government does not require the Department of Executive Council and the Legislative Assembly Office to publish performance plans and annual reports. We think these agencies should publish performance plans and annual reports to improve their accountability to the public.

We found that the reports prepared by the Department of Highways and Transportation (Highways) provided better performance information than the other reports we examined. The Highways report covered all of the current content requirements.

Our future plans

We plan to continue to assess and report on the progress that agencies make to implement the Department of Finance's reporting guidelines in their public plans and annual reports.

Exhibit 3 – Findings by principle

Guideline requirements under each Principle for 2003-04	Findings
1 – Focus on the few critical aspects of performance ◆ focus selectively and meaningfully on a small number of things ◆ centre on core objectives & commitments	All agencies have stated a small number of core objectives and commitments. Many of the agencies could improve the link between the environment, trends, issues, and outcomes reported.
2 – Look forward as well as back ◆ set out the goals and how activities contribute to the goals ◆ track achievements against expectations	All agencies have set out the planned actions for each of their objectives. Some of the agencies could better describe their achievements and how these achievements met their expectations. Some agencies explained future plans to compensate where they had not met the current expectations.
3 – Explain key risk considerations ◆ describes the impact risks have had on performance results	Most of the agencies provided incomplete descriptions of the impact risks have had on performance results.
4 – Explain key capacity considerations	Agencies are not yet required to provide any information related to this principle.
5 – Explain other factors critical to performance ◆ discuss specific factors such as the performance of other organizations that influence performance	Half of the agencies adequately described the role other parties play in their organization. Some agencies discussed how they ensured other parties delivered what was expected.
6 – Integrate financial and non-financial information ◆ show spending compared to budget for the agency, related funds, loans and guaranteed debt ◆ explained significant variances	Most agencies provided all required financial information for 2003-04. Most agencies provided plausible explanations for significant variances between budget and actual.
7 – Provide comparative information ◆ provide comparative information about past performance	Most of the agencies provided comparative information for at least some of their performance measures. In most cases, agencies described absences of comparative information. Some of the agencies provided reasons for changes from prior years although it was not always clear if the change was positive. Most agencies did not explain what had occurred to maintain or improve performance.
8 – Present credible information fairly interpreted ◆ present information as credible as reasonably possible	Most agencies provided non-financial performance measures. Most agencies presented timely information in a neutral manner. Many agencies could improve disclosure in both the plan and annual report on the level of influence the agency has on results and where it has limited control over factors that impact results. Reports of several agencies seem to present mostly positive results.
9 – Disclose the basis for reporting ◆ explain the basis for selecting the few critical aspects of performance on which to focus ◆ describe changes in the way performance is measured or presented	Some agencies could have done a better job in explaining changes in the way performance was measured or presented. All agencies disclosed the data sources used to generate performance results for most indicators. However, agencies did not consistently list the limitations associated with the data. Agencies did not always provide external source references to allow a reader to obtain further information.

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Office of the Chief Electoral Officer

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Main points

Providing timely and clear information helps to maintain public confidence in the Electoral Office and the electoral process. The Electoral Office needs to provide legislators with a report on its performance each year. In addition, to help legislators understand its planned and actual results, it needs to use a consistent reporting date (e.g., March 31).

Introduction

The Chief Electoral Officer administers *The Elections Act, 1996*. Since 1998, the Chief Electoral Officer is an officer of the Legislative Assembly.

The role of the Office of the Chief Electoral Officer (Electoral Office) is to ensure public confidence in the integrity of the electoral process for the Saskatchewan electorate. It is responsible for the administration of provincial elections, by-elections, enumerations other than during elections, and election finances. It also periodically conducts referenda and plebiscites under *The Referendum and Plebiscite Act* and time votes under *The Time Act*. In addition, the Electoral Office is responsible for *The Political Contributions Tax Credit Act*. Under this Act, the Electoral Office administers and maintains the political tax credit system.

Overview of Electoral Office's finances

For the year ending March 31, 2004, the Electoral Office administered one by-election and the general election.

As set out in the *Public Accounts 2003-04: Volume 2: Details of Revenue and Expenditure*, (to view a copy of this report, see http://www.gov.sk.ca/finance/paccts), the Electoral Office spent $7.8 million ($1.2 million in 2002-03).

Audit conclusions and finding

In our opinion, for the year ending March 31, 2004, the Electoral Office:

- **had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter; and**
- **complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter.**

Improved public accountability required

The Electoral Office needs to provide legislators with timely and complete annual reports.

The Election Act, 1996 requires the Electoral Office to report its progress and activities each year in accordance with *The Tabling of Documents Act, 1991*. The Electoral Office must submit its report to the speaker each year within 120 days after its period end.

The law does not set the reporting period for the Electoral Office. In its first report, the Electoral Office used a reporting period ending on December 31. In its Estimates, its uses a reporting period ending on March 31. Using different reporting periods makes reporting of actual results against planned activities more complex.

The Electoral Office did not provide legislators with a report when required by the law. On February 18, 2004, the Speaker tabled the first *Annual Report of the Chief Electoral Office of Saskatchewan 1998-2002* (2002 Annual Report). At the date of this report, the Electoral Office has not provided legislators with its 2003 Annual Report.

As previously reported in Chapter 19 of our 2004 Report – Volume 1, the 2002 Annual Report did not set out how the Electoral Office determines and measures its success (e.g., performance measures). The 2002 Annual Report clearly explained the Electoral Office's activities and their cost but did not indicate the extent to which these activities helped the Electoral Office to achieve its goal. In addition, the 2002 Annual Report did not provide the overall financial results of the Office (e.g., financial statements).

On September 29, 2004, the Standing Committee on Public Accounts (PAC) considered this matter and agreed with our recommendation.

We continue to recommend that the Chief Electoral Office include the following information in its future annual reports:

- performance measures;
- the extent to which activities achieved goals; and
- overall financial results.

1. **We recommend that the Electoral Office table in the Legislative Assembly an annual report within the time period required by *The Election Act, 1996*.**

2. **We recommend that the Electoral Office use a consistent reporting date for reporting of its planned activities and actual results.**

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Board of Internal Economy

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Main points

The Board of Internal Economy (Board) is generally well managed and complying with the law. However, the Board needs to make further improvements in two areas.

First, the Board needs to approve the plans and reports it uses to make decisions. The Board should ensure that the reports it receives provide the information it requires to assess performance.

Second, the Board needs to prepare an annual report on its operations. An annual report is a necessary accountability document for all public sector agencies.

Introduction

The Board of Internal Economy (Board) helps Members of the Legislative Assembly (MLAs) with their responsibilities. It provides funding and support services to MLAs, to the Legislative Assembly, its committees, the Legislative Library, the Office of the Legislative Council, and the Law Clerk. It also informs the public of the Legislature's activities. As well, the Board provides administrative services for the Offices of the Ombudsman, the Children's Advocate, the Information and Privacy Commissioner, and the Conflict of Interest Commissioner.

In 2003-04, the Board received $18.3 million from the General Revenue Fund and spent this money on its programs. Information about the Board's expenditures appears in the *Public Accounts 2003-04: Volume 2: Details of Revenue and Expenditure* (see http://www.gov.sk.ca/finance/paccts/).

The following is a list of major programs and spending:

	Original Estimates	Actual
	(in millions of dollars)	
Payments and Allowances to MLAs	$ 10.7	$ 10.4
Legislative Assembly Services	4.0	4.1
Administration	2.0	2.2
Caucus Operations	1.5	1.5
Other	0.3	0.1
	$ 18.5	$ 18.3

Key risks the Board faces

The Board plays a key role in helping MLAs with their important responsibilities. How MLAs carry out their duties influences the quality and effectiveness of government and the public's confidence in our parliamentary system of government. Responsibilities of MLAs include:

- making the laws that govern people and the Executive Government;

- holding the Executive Government accountable for how it carries out its activities; and
- representing their constituencies in the Legislative Assembly.

In assisting MLAs to carry out their important responsibilities, the Board faces many risks. Four key risks the Board needs to manage are:

- to ensure the Legislative Assembly and its committees can function effectively;
- to ensure MLAs can access from the Board appropriate resources, information, and advice to enable them to effectively carry out their responsibilities in the Legislative Assembly;
- to ensure MLAs can access appropriate resources from the Board to carry out their activities in their constituencies and are accountable for the use of those resources; and
- to ensure the public can assess whether the work of the Legislative Assembly and MLAs is relevant and done well.

For additional discussion of these key risks and the Board's strategies to manage them, see our 1999 Fall Report – Volume 2.

Our audit conclusions and findings

In our opinion for the year ended March 31, 2004:

- **the Board had adequate rules and procedures to safeguard public resources except where we report otherwise in this chapter; and**
- **the Board complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.**

Better plans and reports required

The Board needs to approve its plan and define the reporting it requires to make decisions.

The Board's plan should set out its goals, objectives, and the performance targets and measures needed to monitor its progress. The reports the Board receives should show the Board's progress in achieving its plan. This information would also provide a sound basis for preparing an annual report.

Management prepared a draft strategic plan in 2002. The plan was considered by the Board in February, 2003. The plan has been discussed by the Board but not yet approved. Management is waiting for further direction to revise and update the strategic plan. We look forward to the Board completing this work.

The Board has not defined its reporting requirements. The Board does not receive periodic reports that show the effectiveness of the Board's programs and services (i.e., what results the Board expects and how it is progressing towards those expectations).

The Board receives quarterly financial reports that compare planned results to actual results with forecasts to the end of the year. These reports also include explanations of differences.

We have reported this matter in previous years.

1. **We recommend that the Board of Internal Economy:**

   - **set and approve its operational goals and objectives;**
   - **set performance targets and measures;**
   - **monitor its progress in achieving its goals and objectives; and**
   - **define and document the operational reports it expects to receive from management.**

Annual report needed

The Board does not prepare an annual report on its performance for the Legislative Assembly.

The Legislative Assembly and Executive Council Act does not require the Board to prepare an annual report. However, almost all government agencies provide the Legislative Assembly with an annual report. In addition, the Standing Committee on Public Accounts recommended that all departments provide timely annual reports on their activities.

To assess the performance of public sector agencies, MLAs and the public need to know how the agency is managing its key risks. They also need to receive information about the agency's goals and objective, and how successful the agency has been in achieving those goals and objectives. Annual reports normally provide this information.

To be a good accountability document, an annual report should also describe what the agency is all about, how it manages its key risks, what it has done, where it is now, and what it plans to do. To ensure that the information in the report is relevant and understandable, it should be written clearly and be available promptly after the agency's year-end.

As we noted earlier, the Board also needs to improve its internal reports. These reports would provide a sound basis for the preparation of an annual report.

The Board plays a key role in fostering public confidence in our parliamentary system of government. An annual report would contribute to public confidence.

We have reported this matter in previous years.

2. **We recommend that the Board of Internal Economy prepare an annual report on its performance and provide the report to the Legislative Assembly.**

Reporting on infrastructure

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Main points

This chapter describes the status of recommendations we made in 2002 and 2003 about the adequacy of the information that four government agencies made public about their key infrastructure. These agencies are SaskEnergy Incorporated, Department of Highways and Transportation, Saskatchewan Transportation Company, and Saskatchewan Property Management Corporation.

SaskEnergy has fully addressed our recommendation for improved public information. The other three agencies improved the quality of information they publish about their key infrastructure, but need to make further improvements. We recognize that some of these improvements will occur in conjunction with improvements expected under the Government's Accountability Framework.

Introduction

In recent years, our Office has encouraged the Government to assess its management of infrastructure and improve the information it publishes about it.

In Chapter 4 of our 2000 Fall Report – Volume 3, we discussed the key risks that governments face related to infrastructure. To reduce these risks, governments must adequately manage how they:

1. Plan for infrastructure needs,
2. Set clear responsibility for infrastructure,
3. Maintain the capacity of infrastructure,
4. Maintain good information, and
5. Keep the public informed.

In Chapter 2 of our 2002 Fall Report – Volume 2 and Chapter 12 of our 2003 Report – Volume 3, we reported on how well SaskEnergy Incorporated (SaskEnergy), Department of Highways and Transportation (Highways), Saskatchewan Transportation Company (STC), and Saskatchewan Property Management Corporation (SPMC) kept the public informed about their infrastructure. In those chapters, we made recommendations to improve public information. The Standing Committee on Public Accounts concurred with our recommendations in May 2004.

In this chapter, we set out the actions each agency took to address our recommendations. We asked each agency to identify actions taken since our last report. In addition, we reviewed key information (e.g., annual reports, performance plans) each agency provided to the public.

In the following sections, we set out the recommendation related to each agency, and provide a summary of actions taken. In addition, we note the status of the recommendation.

SaskEnergy Incorporated

In our 2002 Fall Report – Volume 2, we recommended that SaskEnergy give the public additional information about the condition of its natural gas transmission and distribution systems, and the ability of these systems to meet peak demands for gas.

SaskEnergy used its 2003 Annual Report, its web site, and news releases to provide the public with this additional information.

SaskEnergy published additional information about the condition of its infrastructure. It explained its processes to detect problems with the condition of its transmission and distribution systems. Information about the condition of these systems included highlights of the results of its risk assessments, and the nature and extent of inspections it carried out in 2003. Its risk assessments consider the age, materials, location, and other facts about specific sections of the system. It uses inspections to detect problems in the condition of the systems. SaskEnergy disclosed that in 2003 it had no detectable natural gas leaks caused by corrosion or other deterioration of the system.

To inform the public about its ability to meet peak demands for gas, SaskEnergy described its storage capacity (i.e., 30 petajoules) and the amount of gas used on extreme cold temperature days (i.e., 1.2 petajoules/day). It noted that it was able to meet record demands for gas in January 2004 and that it can respond to even higher demands if necessary.

Department of Highways and Transportation

In our 2002 Fall Report – Volume 2, we recommended that Highways give the public additional information on its key plans related to highway condition, safety and reliability, as well as comparisons of plans to actual results with any differences explained.

Highways provided the public with most of this information in its 2003-04 Annual Report and 2004-05 Performance Plan.

Highways provided its key plans for highway condition, safety, and reliability along with its basis for measuring its results. However, consistent with the *Content Requirements for 2004-05 Performance Plans*, Highways does not include targets within its performance plan. Targets are quantifiable estimates of results expected over a specific period.

In its 2003-04 Annual Report, Highways compares the status of each of its measures to the status in prior years. This helps the public understand whether performance is improving. Without targets, the Annual Report does not fully compare actual results to those planned. Inclusion of targets will help describe the extent to which Highways has achieved its intended result for each measure.

Highways expects to publish targets and report its performance against these targets in future annual reports. We will examine these future reports for comparisons of planned and actual results and for explanations of significant differences between them.

Saskatchewan Transportation Company

In our 2003 Report – Volume 3, we made two recommendations for STC to improve the information it publishes about its infrastructure. We recommended that STC provide the public with additional information about:

- the current condition of its facilities to help explain their capacity, and
- strategies used to manage major risks facing its facilities by describing the actions it is taking to reduce these risks to an acceptable level.

STC used its 2003 Annual Report and its quarterly corporate reports to provide the public with most of this information.

STC has facilities (i.e., depots and garages) in Regina, Prince Albert, Saskatoon, and Moose Jaw. In its 2003 Annual Report and its first and second quarter corporate reports for 2004, STC describes the condition of its Regina facilities and related risks (e.g., accessibility and structural). STC explained that because of the age of these facilities and because the Regina depot did not meet current accessibility standards, STC would have to extensively renovate or replace these facilities (i.e., strategy to mitigate risks). STC also disclosed that a structural assessment of its Regina garage facility recommended STC carry out structural repairs as soon as possible. In STC's first quarter 2004 corporate report, STC reports completion of these repairs and notes the facility has now passed inspection.

STC does not yet provide information about the condition of facilities in Saskatoon, Prince Albert, and Moose Jaw (e.g., age, remaining service life, and key maintenance processes) or explain how it manages related risks, if any. STC notes that it expects to provide this information in future reports.

Saskatchewan Property Management Corporation

In our 2003 Report – Volume 3, we made two recommendations for SPMC to improve the information published about its infrastructure.

We recommended that SPMC provide the public with additional information about:

- the capacity of its facilities and vehicles including their current condition and potential volume of service, and
- the extent to which the use of key infrastructure (i.e., facilities, vehicles, and aircraft) achieved its operational and financial plans, and significant differences between actual and planned results.

SPMC used its 2003-04 Annual Report, 2004-05 Performance Plan, and web site to provide additional information about key infrastructure.

SPMC provided additional information about the capacity of its facilities that partially addresses our recommendation. It disclosed the volume of services it can provide (i.e., square metres of space) and described plans to report on the condition of its facilities by using an industry standard called the "Facility Condition Index" (FCI). Use of the FCI will provide the public with adequate information about the capacity of its facilities.

In 2004, SPMC published adequate information about the capacity of its vehicles and aircraft. For example, it describes the volume of services available (e.g., number of vehicles) and the processes used to maintain vehicles and aircraft. Further, SPMC published the performance measures used to assess the adequacy of the condition of its vehicles.

SPMC has improved the information it publishes about the extent to which its use of infrastructure achieved operational and financial plans. However, more work remains. In 2004, SPMC published improved information about the achievement of its financial plans. For example, in its 2004 Annual Report, SPMC informs the public that it completed a significant capital project, the Wascana deepening project, within budget.

In its 2004-05 Performance Plan, SPMC disclosed the key operational performance measures it intends to use to measure the results from facilities and vehicles. SPMC has not published the performance targets it will use for these measures. As a result, SPMC has not provided a comparison of its planned and actual results for these measures.

In common with Highways, SPMC follows the guidance issued by the Department of Finance under the Government's Accountability Framework when preparing its performance plans and annual reports. As such, SPMC was not yet expected to publish targets. SPMC expects to provide its targets and report against them in future reports.

We will examine future information that SPMC publishes about the condition of its facilities, as well as comparisons of planned and actual operational results from the use of its infrastructure.

Next steps

Our Office will continue to monitor the information that Highways, STC, and SPMC make public about their infrastructure. In a future Report to the Legislative Assembly, we will report whether these agencies have published information that addresses the remaining aspects of the recommendations that we made.

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Crown Investments Corporation of Saskatchewan

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Main points

For the year ended December 31, 2003, we examined three areas in more depth at Crown Investments Corporation of Saskatchewan (CIC) and its related corporations. We examined payments to Crown corporation directors and senior executives related to their pay, benefits, and expenses; reports of payee information; and processes related to sponsorships and promotion.

Most payments to directors and senior executives were supported and for business purposes. However, there were some exceptions. We also found some cases where Crowns need to improve their policies.

CIC Crowns have prepared comprehensive reports of their payees for the year ended December 31, 2003. Overall, CIC and its related corporations have done a good job in presenting this information. However, to improve future reporting, the Standing Committee on Crown and Central Agencies needs to clarify the requirements of the Committee's disclosure policy. Also, Crown corporations need to provide more complete payee information to comply with the Committee's disclosure policy.

SaskPower, SaskTel, and SGI had adequate processes to control and monitor their sponsorship and promotion expenses; SaskEnergy needs to improve its policies and procedures in this area.

Introduction

During 2004, we did additional work at Crown Investments Corporation of Saskatchewan (CIC) and its related corporations in three areas. We examined the following matters for the year ended December 31, 2003.

- payments to Crown corporation directors and senior executives related to pay, benefits, and expenses;
- reports of payee information; and
- policies for sponsorships.

Payments to Crown corporation directors and senior executives

Background

In early 2004, SaskEnergy Incorporated became aware of problems at the Corporation. SaskEnergy hired Deloitte & Touche LLP, its appointed auditor, to examine the Corporation's policies for executive pay and benefits and the payments made to its executives in 2003. Deloitte's report of preliminary findings noted several irregularities such as the lack of approval for executive pay and benefits. As part of our regular annual audit process, we work with appointed auditors. We ask them to confirm to us that Crown corporation directors' and executives' pay, benefits, and expenses are properly authorized and supported.

Prior to the Deloitte report, nothing had been brought to our attention that indicated any concerns with the authority and support for payments to Crown corporation directors and executives. However, given the items reported by Deloitte, we decided to examine directly the payments made in 2003 to board members and executives at the following CIC Crowns: Crown Investments Corporation of Saskatchewan (CIC), Saskatchewan Power Corporation (SaskPower), SaskEnergy Incorporated (SaskEnergy), Saskatchewan Government Insurance (SGI), and Saskatchewan Telecommunications (SaskTel). Also, we plan to examine payments made in 2004.

What we did

We examined these five Crown corporations to determine whether:

- there was adequate authority for the amounts paid to board members and executives for pay, benefits, and expenses;
- all payments were made in accordance with that authorization;
- all board members' and executives' pay and benefits were included on their annual T4s;
- there was sufficient documentation to support board members' and executives' expenses and to indicate that the expenses were incurred for the benefit of the corporation; and
- all executives' pay and benefits agree with the information they are required to file with the Clerk of the Executive Council under *The Crown Employment Contracts Act*.

Our conclusions

For the year ended December 31, 2003, we found:

- **payments were properly authorized except as reported below;**
- **pay and benefits were properly included on annual T4s;**
- **expenses were properly supported except as reported below; and**
- **a lack of public information on the benefits that executives receive.**

Our findings and recommendations

Findings – payments to board members

SaskPower does not have systems to document when board members have been authorized to attend business or social functions (i.e., other than board meetings) and submit claims for those functions. Board members are paid their expenses, meeting fees, and travel fees for attending business or social functions when authorized by the Chair, board, or corporation to attend. Because there is no system to document such authorization, there is insufficient documentation to support these payments.

The other corporations had few instances where board members attend business or social functions on behalf of the corporation.

1. **We recommend that SaskPower document the prior approval of board members to attend business or social functions on behalf of the corporation.**

Findings – payments to executives

Crown employment contracts

Crown corporation employees have not complied with *The Crown Employment Contracts Act*. The Act requires that each permanent head (i.e., president), and each employee reporting directly to a permanent head, file a complete copy of their employment contract with the Clerk of the Executive Council, who then makes them available to the public. We did not find any case where this occurred in 2003. Instead, we found that, in the absence of written contracts, executives filed letters that summarize their salary, salary range, and benefit categories, which the Clerk made public. However, these letters do not provide details of actual benefit entitlements. To supplement these letters, SGI and SaskTel submitted schedules of benefit entitlements to the Clerk's office, but this information was not made available to the public.

The Clerk of the Executive Council has advised us that, effective November 25, 2004, each CIC Crown has filed detailed schedules of benefits provided to their executives. The Clerk will make these schedules available to the public together with the letters reporting each executive's pay. These documents will give the public the information they are entitled to under *The Crown Employment Contracts Act*.

Board approval of pay and benefits

The board, or a committee authorized by the board, did not approve some of the pay and benefits earned by executives, as follows.

- SaskPower and SaskEnergy – these corporations changed their vacation policies giving executives six weeks of vacation per year, regardless of their length of service. In the case of SaskPower, a board committee reviewed this policy in 2002. According to the committee's mandate, however, it should have forwarded this

policy to the board for approval. SaskPower's board authorized this policy in September 2004. Three executives received additional vacation leave due to this policy change.
For SaskEnergy, an executive approved the change in policy in 1998. SaskEnergy's board authorized this policy in September 2004.

- SaskPower – the corporation established a flexible spending account plan in January 2000. Each executive receives $7,500 plus 1% of their salary annually in the form of cash or specified benefits. A board committee approved this policy in 2000. According to the committee's mandate, however, it should have forwarded this policy to the board for approval. SaskPower's board authorized this policy in September 2004.

- SaskEnergy – beginning March 2001, the president approved an annual payout equal to an additional 20 days vacation for each executive. We did not find any reference in the minutes of the SaskEnergy board approving this policy. The chair said the board was not aware of this practice. The board ended this practice in September 2004 and has required executives to repay a portion of the amounts paid to them (i.e., the after-tax amounts they received) through a reduction of future vacation entitlements.

- SaskEnergy – an executive approved a policy allowing employees to receive a partial payout of their vacation entitlement after they earned it. However, the board did not approve this policy. In addition, the president approved a payout of his full vacation entitlement for 2003 at the beginning of the year, before earning it.

At SaskEnergy, the board received regular reports on various human resource matters, e.g., from the Human Resources Committee. However, these reports were inadequate. The boards of the other Crowns received adequate reports on these matters.

2. **We recommend that SaskEnergy's board approve all executive pay and benefit policies.**

3. **We recommend that SaskEnergy's board receive adequate reports about executive pay, benefits, and expenses so it can effectively oversee these costs.**

Payments for expenses

The Crowns generally had adequate support and approval for expenses paid to executives. However, at SaskEnergy, we found many instances where the president's expenses were unsupported by receipts or where the support did not state the business purpose of the expense. Our findings are consistent with the report prepared by Deloitte. It is not our intention to repeat the details of the exceptions here, as Deloitte's report, *SaskEnergy Incorporated—Report on Investigation of Certain Executive Compensation Policies and Expense Reimbursement Matters, July 7, 2004*, is available from SaskEnergy, Corporate Affairs.

4. **We recommend that SaskEnergy improve its processes to ensure it has proper support for all expense payments, including documentation that they are for business purposes.**

Disclosure of payee information

In June 2003, the Standing Committee on Crown Corporations (Committee) recommended that Crown Investments Corporation of Saskatchewan (CIC) and its related corporations disclose additional information about persons (payees) who receive money from these corporations and the amounts they receive.

Our Office gave the Committee an undertaking to monitor the process to ensure Crowns follow its payee disclosure policy. We worked with CIC and its related corporations to reach a consensus on a standard format and guide for Crown corporations to use to prepare their payee information in a clear and consistent manner.

In September 2004, CIC provided the Standing Committee on Crown and Central Agencies (CCA) with payee information on CIC and its related corporations for the year ended December 31, 2003. This was the first time that CIC and its related corporations provided additional information about their payments. This is a significant improvement in public sector accountability.

In October 2004, we provided a report to the CCA regarding the disclosure of this new payee information. (available at http://www.auditor.sk.ca.) Overall, CIC and its related corporations have done a good job in presenting this information. However, to improve future reporting, CCA needs to clarify the requirements of the Committee's disclosure policy. Also, Crown corporations need to provide more complete payee information to comply with the Committee's disclosure policy.

Sponsorships

Background

An agency's marketing plan would include strategies and action plans to maintain or enhance its market share and to introduce new or changed merchandise to the public. Marketing plans also include agencies' public relations and publicity strategies. Public relations and publicity activities include providing information about the agency and/or its products and services to audiences that go beyond the agency's prospective customers. Marketing activities can be directed towards the public at large, to specific individuals or groups of individuals, and to fulfill the agency's responsibilities as a good corporate citizen.

In this section, general marketing refers to activities directed towards the public at large; promotion refers to activities directed towards specific individuals or groups of individuals; and sponsorship refers to activities to fulfill the agency's responsibilities as a good corporate citizen. Some agencies call promotion and sponsorship activities "goodwill advertising."

Agencies expect spending on general marketing activities to influence their revenues. However, they do not always expect spending on sponsorships and promotion to result in increased revenues.

Government agencies spend significant amounts on sponsorships and promotion. For the year ended December 31, 2003, the following Crown corporations spent the following amounts on sponsorships.[1]

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[1] For detailed information about each corporation's sponsorship spending, see the Report *Crown Corporations Payee Disclosure—2003.*

Saskatchewan Power Corporation (SaskPower)	$1.7 million
Saskatchewan Telecommunications (SaskTel)	$2.7 million
SaskEnergy Incorporated (SaskEnergy)	$1.4 million
Saskatchewan Government Insurance (SGI)	$1.2 million
Total	$7.0 million

The amounts spent on promotion activities are not readily available because some corporations do not track promotion expenses separately. They track promotion expenses with general marketing.

Agencies use sponsorships and promotion to generate awareness, build relationships with customers, and enhance their corporate image. The effects of such activities are not usually apparent in the short term. Accordingly, agencies must use rigorous guidelines for staff to follow for assessing sponsorships and promotion requests and opportunities.

We assessed if the above corporations had adequate processes to manage spending for sponsorships and promotion. We focused our work on the policies they used for the year ended December 31, 2003.

What we did

We examined each corporation's processes to manage their sponsorship and promotion activities. We did not examine their processes to manage their general marketing activities.

We expected the corporations would have processes to:

- Communicate clearly the goals and objectives of sponsorship and promotion activities, setting out broad eligibility rules for assessing requests for funding;
- Set out an authority grid for making agreements with other parties for sponsorship and promotions;
- Provide guidelines for:
  - the types of events that can be sponsored;
  - the disposition of events tickets received in consideration of providing funding;

  - maintaining records for such disposition;
  - providing food and beverages to invitees at those events; and
  - assessing success in meeting set objectives for the event; and

- Monitor the corporation's compliance with the approved processes.

Our conclusions

We concluded that for the year ended December 31, 2003:

- **SaskPower, SaskTel, and SGI had adequate processes to manage their sponsorship and promotion expenses; and**

- **SaskEnergy should strengthen its processes to manage sponsorship and promotion expenses.**

Our findings and recommendations

Clear objectives

Each corporation had communicated clearly the goals and objectives for its promotion and sponsorship activities. Their policies and procedures set out goals and objectives for such activities and established priorities. Approved policies provide guidance on what kinds of projects they will support, for what, and for how much. They also set out clear guidance on those projects that they would not support (e.g., political, religious, or special lobby).

Authority grids

All corporations, except SaskEnergy, had established and communicated authority grids for approving sponsorship and promotion projects and for making agreements with others. An authority grid sets out the extent of approval authority for individuals holding specific positions within an agency. Each corporation also provided guidance to staff and management on how to assess and approve requests for sponsorships and their authority limits.

SaskEnergy did not have a documented authority grid for approving sponsorship and promotion projects and for making agreements with others. SaskEnergy told us that, while it did not have a documented authority grid, in practice staff are aware of their approval authority levels. SaskEnergy should document an authority grid for approving sponsorship projects and for making agreements with others. It should communicate the authority grid to all staff. A lack of clear communication of authorities and responsibilities increases the risk that staff may not carry out their responsibilities as expected.

5. **We recommend SaskEnergy should document who is authorized to approve sponsorships and promotion activities and for what amounts and communicate that to its staff.**

Guidelines for type and nature of sponsorship

As part of sponsorship and promotion activities, Crown corporations often help others to organize events either for fundraising or for promoting certain causes or sports. In return, they receive event tickets. Generally, the corporations provide those tickets to large customers, staff as rewards for performance, or a suitable charity. To ensure that they only approve appropriate events, most corporations have established guidelines on the type and nature of events they will approve. They also require staff to ensure the sponsored events fit the established objectives.

All corporations, except SaskEnergy, require staff to maintain records of the disposition of event tickets. Corporations also pay for food and beverages when they use the event tickets to entertain their customers. Corporations require staff to exercise discretion when entertaining customers or prospective customers. The corporations provided detailed directions to staff on the allowable expenses and rules for seeking reimbursements.

Some corporations also had enclosed dedicated seats (skyboxes) at certain sports and entertainment arenas. Corporations rent skyboxes to support certain sports (e.g., football, hockey). They used the skyboxes to entertain their customers, prospective customers, and to reward staff for performance. All corporations that used skyboxes required staff to maintain records of who used those boxes and when.

Some corporations do not rent skyboxes. Instead, they use dedicated seats at sports arenas. Sports arenas allow dedicated seat holders to use specific lounges to entertain their guests. SaskEnergy used dedicated seats at certain sports arenas to entertain their customers and guests. However, it did not require its staff to maintain records of who used those dedicated seats or event tickets.

SaskEnergy has a broad policy requiring staff to make decisions based on economic factors and the best interests of SaskEnergy in their dealings with customers or prospective customers. However, it did not provide written guidelines to staff on what they are allowed to do when entertaining customers or prospective customers. Also, SaskEnergy does not have a policy related to the time employees may spend on sponsored events or charitable activities. According to its annual report, SaskEnergy staff spent about 4,400 hours on these activities in 2003. A lack of detailed direction to staff increases the risk that staff may not fully understand or follow the broad policy directives.

6. **We recommend that SaskEnergy require its staff to keep records of who receives event tickets and why.**

7. **We recommend that SaskEnergy establish written guidelines for allowable entertainment expenses and communicate those guidelines to staff.**

8. **We recommend that SaskEnergy review its policies for sponsored events and other charitable activities, and update them where appropriate.**

Monitoring compliance

All Crown corporations had established processes to ensure staff comply with the approved policies and procedures relating to sponsorships and promotion. We did not find instances of non-compliance with those policies.

Appendix 1

NOTE:

All persons making use of this consolidation are reminded that it has no legislative sanction, that the amendments have been embodied only for convenience of reference and that the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. Please note, however, that in order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

The Provincial Auditor Act

SHORT TITLE AND INTERPRETATION

Short Title

1 This Act may be cited as *The Provincial Auditor Act*.

Interpretation

2 In this Act:

(a) **"acting provincial auditor"** means the acting provincial auditor appointed pursuant to section 5;

(a.1) **"appointed auditor"** means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;

(b) **"audit"** means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c) **"Crown"** means Her Majesty the Queen in right of Saskatchewan;

(d) **"Crown agency"** means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i) are appointed by an Act or by the Lieutenant Governor in Council; or

(ii) are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) **"Crown-controlled corporation"** means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) **"fiscal year"** means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) **"provincial auditor"** means the Provincial Auditor for Saskatchewan appointed pursuant to section 3.1;

(g.1) **"public accounts committee"** means the Standing Committee of the Legislative Assembly on Public Accounts;

(h) **"public money"** means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) **"public property"** means property held or administered by the Crown;

(j) **"Speaker"** means the member of the Legislative Assembly elected as Speaker in accordance with *The Legislative Assembly and Executive Council Act*.

1983, c.P-30.01, s.2; 1986-87-88, c.26, s.4;
2001, c.32, s.3.

APPOINTMENT AND OFFICE

Provincial Auditor for Saskatchewan

3(1) The office of Provincial Auditor for Saskatchewan is established.

(2) The provincial auditor is an officer of the Legislative Assembly.

2001, c.32, s.4.

Appointment of provincial auditor

3.1(1) On the unanimous recommendation of the public accounts committee, the Legislative Assembly shall, by resolution, appoint a provincial auditor.

(2) The provincial auditor holds office for a term of 10 years from the date of his or her appointment unless, before that term expires, he or she:

(a) resigns or is suspended or removed from office pursuant to section 3.2; or

(b) attains the normal date of retirement for employees of the public service of Saskatchewan.

(3) The provincial auditor may apply for a second or subsequent term.
2001, c.32, s.4.

Resignation, removal of provincial auditor

3.2(1) The provincial auditor may resign the office at any time by giving written notice:

(a) to the Speaker; or

(b) if there is no Speaker or if the Speaker is absent from Saskatchewan, to the President of the Executive Council.

(2) The Legislative Assembly may, by resolution, suspend or remove the provincial auditor from office for cause.
2001, c.32, s.4.

Salary of the provincial auditor

4(1) Subject to subsections (2) and (3), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Any benefits or payments that may be characterized as deferred income, retirement allowances, separation allowances, severance allowances or payments in lieu of notice are not to be included in calculating the average salary of all the deputy ministers and acting deputy ministers pursuant to subsection (1).

(3) Where, as a result of a calculation made pursuant to subsection (1), the salary of a provincial auditor would be less than that provincial auditor's previous salary, the provincial auditor is to be paid not less than his or her previous salary.

(4) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided generally to deputy ministers.

(5) The salary of the provincial auditor shall be paid out of the general revenue fund.
2001, c.32, s.5.

Acting provincial auditor

5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

(3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.

1983, c.P-30.01, s.5.

Qualifications of provincial auditor, acting provincial auditor

6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.

1983, c.P-30.01, s.6.

Advisors, etc.

7 For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisers, specialists or consultants that he considers necessary.

1983, c.P-30.01, s.7; 2001, c.32, s.6.

Office of the provincial auditor

8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2) Employees of the provincial auditor's office are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3) The employee benefits applicable to the public servants of Saskatchewan apply or continue to apply, as the case may be, to the provincial auditor and the employees of the provincial auditor's office.

(4) *The Public Service Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Public Employees Pension Plan Act* apply to the provincial auditor and the employees of the provincial auditor's office, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the provincial auditor's office and accumulated under those Acts, before the coming into force of this section, are preserved and continued in accordance with those Acts.

(5) The provincial auditor shall administer, manage and control the provincial auditor's office and the general business of the office and shall oversee and direct the staff of the office.

1983, c.P-30.01, s.8; 2001, c.32, s.7.

Confidentiality

9 The provincial auditor shall require every person employed in his or her office, and any person engaged or retained pursuant to section 7, who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.

1983, c.P-30.01, s.9; 2001, c.32, s.8.

Delegation of authority

10 The provincial auditor may delegate to any member of the provincial auditor's office the authority to exercise any power or to perform any duty conferred on the provincial auditor pursuant to this Act, other than the duty to make:

(a) an annual report on operations pursuant to section 10.4;

(b) a business and financial plan pursuant to section 10.5;

(c) an annual report pursuant to section 12; or

(d) a special report to the Legislative Assembly.

2001, c.32, s.9.

Estimates

10.1(1) For each fiscal year, the provincial auditor shall present to the public accounts committee, in accordance with any instructions from the public accounts committee, estimates of the moneys that will be required to be provided by the Legislature for the expenses of the provincial auditor's office, including an amount for unforeseen expenses.

(2) On receipt of the estimates pursuant to subsection (1), the public accounts committee:

(a) shall review the estimates; and

(b) may make any alterations to the estimates that the public accounts committee considers appropriate.

(3) After reviewing and making any alterations to the estimates pursuant to subsection (2), the public accounts committee shall approve the estimates.

(4) After approving the estimates pursuant to subsection (3), the chairperson of the public accounts committee shall submit the estimates to the Speaker and to the Board of Internal Economy.

(5) The Speaker shall cause the estimates submitted pursuant to subsection (4) to be laid before the Legislative Assembly.

(6) Notwithstanding subsections (1) to (5), if a public accounts committee has not been appointed by a date to allow the Speaker to cause the estimates of the provincial auditor for a fiscal year to be laid before the Legislative Assembly pursuant to subsections (1) to (5), the Speaker shall cause the estimates of the provincial auditor for the previous fiscal year to be laid before the Legislative Assembly.

(7) The Legislative Assembly may refer the estimates laid before it pursuant to subsection (5) or (6) to a Standing Committee of the Legislative Assembly.

(8) Where the estimates are not referred to a Standing Committee of the Legislative Assembly, the estimates are to be considered in the Committee of Finance and defended by a member of the Executive Council who is designated by the President of the Executive Council.

(9) *The Tabling of Documents Act, 1991* does not apply to the estimates required to be prepared by the provincial auditor pursuant to this section.

2001, c.32, s.9.

Unprovided for or unforeseen expenses

10.2(1) For the purposes of this section, the Legislature is not in session where it:

(a) is prorogued; or

(b) is adjourned for an indefinite period or to a day more than seven days after the Lieutenant Governor in Council made the order directing the preparation of the special warrant pursuant to this section.

(2) If the Legislature is not in session, the provincial auditor may report to the public accounts committee that:

(a) a matter has arisen with respect to the administration of this Act respecting an expense required by the provincial auditor's office that was not foreseen or provided for, or was insufficiently provided for; and

(b) the provincial auditor is of the opinion that there is no appropriation for the expense or that the appropriation is exhausted or insufficient and that the expense is urgently and immediately required for the public good.

(3) On receipt of a report of the provincial auditor pursuant to subsection (2), the public accounts committee:

(a) shall review the report and make any alterations to the funding request in the report that the public accounts committee considers appropriate; and

(b) may recommend to the Minister of Finance that a special warrant be issued authorizing the expense in the amount the public accounts committee determines to be appropriate.

(4) On receipt of a recommendation of the public accounts committee pursuant to subsection (3), the Minister of Finance shall recommend to the Lieutenant Governor in Council that a special warrant be issued authorizing the expense in the amount recommended by the public accounts committee.

(5) On receipt of a recommendation of the Minister of Finance pursuant to subsection (4), the Lieutenant Governor in Council may order a special warrant to be prepared for the signature of the Lieutenant Governor authorizing the expense in the amount recommended by the public accounts committee.

(6) For the purposes of *The Financial Administration Act, 1993* and of this Act, a special warrant issued pursuant to subsections (1) to (5) is deemed to be a special warrant issued pursuant to section 14 of *The Financial Administration Act, 1993*, and that Act applies to a special warrant issued pursuant to those subsections as if it were issued pursuant to section 14 of that Act.

(7) Notwithstanding subsections (1) to (6), the provincial auditor may request that the Minister of Finance recommend that a special warrant be issued pursuant to section 14 of *The Financial Administration Act, 1993* if:

(a) a public accounts committee has not been appointed; and

(b) the provincial auditor reports that the conditions mentioned in clauses (2)(a) and (b) are met.

2001, c.32, s.9.

Expenses limited to appropriation

10.3(1) In this section, **"appropriation"** means:

(a) an appropriation for the expenses of the provincial auditor's office made by an *Appropriation Act*;

(b) an appropriation by special warrant issued pursuant to section 10.2; and

(c) any other amount that is permitted or directed to be paid out of the general revenue fund pursuant to this or any other Act for the expenses of the provincial auditor's office.

(2) The provincial auditor shall not incur expenses for a fiscal year in excess of the appropriation for that fiscal year.

(3) The Minister of Finance shall pay to the provincial auditor out of the general revenue fund the appropriation for a fiscal year in the amounts and at the times requested by the provincial auditor.

(4) Where the amounts paid to the provincial auditor pursuant to subsection (3) on account of an appropriation for a fiscal year exceed the expenses of the provincial auditor's office for that fiscal year, the provincial auditor shall repay the excess to the Minister of Finance as soon as is practicable after the end of the fiscal year, and the Minister of Finance shall deposit any amounts received pursuant to this subsection in the general revenue fund.

2001, c.32, s.9.

Annual report on operations

10.4(1) In each fiscal year, the provincial auditor shall prepare and submit to the Speaker an annual report on operations that is to consist of the following:

(a) a report on the operations of the provincial auditor's office for the preceding fiscal year;

(b) the audited financial statement for the provincial auditor's office showing the results of its operations for the preceding fiscal year.

(2) The provincial auditor shall submit the annual report on operations mentioned in subsection (1) within 120 days after the end of the fiscal year to which the annual report on operations relates.

2001, c.32, s.9.

Business and financial plan

10.5 Prior to the beginning of each fiscal year, by a date that may be required by the public accounts committee, the provincial auditor shall prepare and submit to the Speaker a business and financial plan for the provincial auditor's office showing its planned operations and its planned revenues and expenses for the fiscal year

2001, c.32, s.9.

DUTIES AND POWERS

Examination of accounts

11(1) The provincial auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

(a) the accounts have been faithfully and properly kept;

(b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

(c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

(d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2) An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants.

1986-87-88, c.26, s.6.

Reliance on report of appointed auditor

11.1(1) In the fulfilment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

(2) The provincial auditor may only rely on the report of an appointed auditor of a Crown agency or the appointed auditor of a Crown-controlled corporation if the appointed auditor:

(a) is a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) is not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) Where the provincial auditor determines pursuant to subsection (1) or (2) that he or she is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

(4) Where the provincial auditor has conducted additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (3), the provincial auditor shall report in his or her annual report pursuant to this section:

(a) the reason that the provincial auditor was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;

(b) the nature of the additional audit work the provincial auditor conducted; and

(c) the results of the additional audit work.

1986-87-88, c.26, s.6; 2001, c.32, s.10.

Annual Report

12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservation of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

(a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;

(b) any public money was not duly accounted for and paid into the appropriate fund;

(c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

(d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;

(e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

(f) a special warrant authorized the payment of public money; or

(g) essential records were not maintained or the rules and procedures applied were not sufficient:

(i) to safeguard and control public money;

(ii) to effectively check the assessment, collection and proper allocation of public money; or

(iii) to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2) In the annual return made pursuant to subsection (1), the provincial auditor may:

(a) report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b) comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3) Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.

Special report

13 The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

1983, c.P-30.01, s.13.

Submission of provincial auditor's reports

14 Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as is practicable:

(a) the annual report prepared pursuant to section 12; and

(b) any special report that is prepared by the provincial auditor pursuant to section 13.

2001, c.32, s.11.

Tabling of reports

14.1(1) In this section, **"report"** means:

(a) an annual report on the operations of the provincial auditor's office that is submitted to the Speaker pursuant to section 10.4;

(b) a business and financial plan for the provincial auditor's office that is submitted to the Speaker pursuant to section 10.5;

(c) an annual report prepared pursuant to section 12 that is submitted to the Speaker pursuant to section 14;

(d) any special report that is prepared by the provincial auditor pursuant to section 13 that is submitted to the Speaker pursuant to section 14; or

(e) a report of the auditor of the accounts of the provincial auditor's office that is submitted to the Speaker pursuant to section 27.

(2) The Speaker shall lay before the Legislative Assembly each report received by the Speaker as soon as is practicable after it is received.

(3) If the Legislative Assembly is not in session when the Speaker receives a report, the Speaker shall submit the report to the Clerk of the Legislative Assembly.

(4) When the Clerk of the Legislative Assembly receives a report pursuant to subsection (3), the Clerk shall, as soon as possible:

(a) subject to subsection (5), cause a copy of the report to be delivered to each member of the Legislative Assembly; and

(b) make the report available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

(5) The requirement in subsection (4) to deliver a copy of a report to the members of the Legislative Assembly does not apply in the period that:

(a) commences on the day a Legislative Assembly is dissolved; and

(b) ends on the day fixed for making the return to the writ for the general election held pursuant to *The Election Act, 1996* that follows the dissolution mentioned in clause (a).

(6) If a report is submitted to the Clerk of the Legislative Assembly in accordance with subsection (3), the report is deemed to have been laid before the Assembly.

(7) Where a report is laid before the Legislative Assembly pursuant to subsection (2) or is deemed to be laid before the Legislative Assembly pursuant to subsection (6), the report is deemed to be referred to the public accounts committee.

(8) Notwithstanding subsection (7), where a report or part of a report mentioned in subsection (7) deals with a matter that relates to the Crown Investments Corporation of Saskatchewan or a subsidiary Crown corporation within the meaning of *The Crown Corporations Act, 1993*, the report or part of the report is deemed to be referred to the Standing Committee of the Legislative Assembly on Crown Corporations.

2001, c.32, s.11.

Certification of Statements

15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

(a) any funds that he is required to audit pursuant to subsection 11(1);

(b) Crown agencies;

(c) Crown-controlled corporations; and

(d) accounts not related to public money that are, by an Act, required to be examined by him.

(2) Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

1983, c.P-30.01, s.15; 1986-87-88, c.26, s.9.

Special assignments

16(1) Where:

(a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

(a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

(b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

(a) the Lieutenant Governor in Council:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

(5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

1983, c.P-30.01, s.16.

Improper retention of public money

17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

1983, c.P-30.01, s.17.

Cancelled securities

18 The provincial auditor shall:

(a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;

(b) assure himself or herself that the securities described in clause (a) have been properly cancelled;

(c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities; and

(d) at any time that he or she is requested to do so by the Minister of Finance, participate in audit assignments in connection with the filing of a prospectus and registration material required for the issuance and sale of securities of the Government of Saskatchewan.

1983, c.P-30.01, s.18; 2001, c.32, s.12.

Attendance before Public Accounts Committee

19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

(a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b) during its review of the the items described in clause (a).

1983, c.P-30.01, s.19.

AUDIT COMMITTEE

Audit committee

20(1) In this section and in sections 21 to 23, **"audit committee"** means the audit committee established pursuant to subsection (2).

(2) An audit committee is established.

(3) The audit committee is to consist of not more than five persons appointed by the Speaker on the unanimous recommendation of the public accounts committee.

(4) A recommendation of the public accounts committee pursuant to subsection (3) is to be made only after the public accounts committee has consulted with the Standing Committee of the Legislative Assembly on Crown Corporations.

(5) The following persons are not eligible to be a member of the audit committee:

(a) a Member of the Legislative Assembly;

(b) an appointed auditor;

(c) an employee of the Government of Saskatchewan, of a Crown agency, of a Crown-controlled corporation or of the provincial auditor's office.

(6) The Speaker shall designate as chairperson the member of the audit committee unanimously recommended by the public accounts committee.

(7) The audit committee may determine its rules of procedure.

(8) All expenses of the audit committee are to be paid out of the appropriation for the Legislative Assembly Office.

2001, c.32, s.13.

Functions of the audit committee

21(1) The public accounts committee may request the audit committee to assist it in undertaking the following:

(a) the recommending of a provincial auditor;

(b) the review of the estimates of the provincial auditor;

(c) the review of the annual report on operations of the provincial auditor;

(d) the review of any report of the provincial auditor prepared pursuant to section 12 or 13;

(e) any other matters that the public accounts committee may request.

(2) The provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations may request the audit committee to review any matter that, in the opinion of the provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations, as the case may be, should be considered by the audit committee.

2001, c.32, s.13.

Information to be provided to audit committee

22(1) The audit committee may request the provincial auditor and any officers or employees of the Government of Saskatchewan, a Crown agency or a Crown-controlled corporation to provide the audit committee with any information that the audit committee considers necessary to carry out its functions mentioned in section 21, and the provincial auditor and the officers or employees of the Government of Saskatchewan, the Crown agency or the Crown-controlled corporation may provide the information requested.

(2) The audit committee and each member of the audit committee:

(a) shall preserve secrecy with respect to all matters that come to their knowledge in the course of performing their functions pursuant to this Act; and

(b) shall not communicate those matters to any person, other than when required to do so in the performance of their functions pursuant to this Act.

2001, c.32, s.13.

Availability of reports

23(1) For the purpose of allowing the Minister of Finance to review and comment on the provincial auditor's annual report prepared pursuant to section 12, the provincial auditor shall submit the provincial auditor's annual report to the Minister of Finance at least 10 days before the provincial auditor causes the annual report to be printed for submission to the Speaker.

(2) The provincial auditor shall submit to the Minister of Finance any special report prepared pursuant to section 13 before the provincial auditor submits that special report to the Speaker.

2001, c.32, s.13.

GENERAL

Right to information, accommodation

24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

(a) to free access, at all convenient times, to:

(i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii) all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

(b) to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2) The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

1983, c.P-30.01, s.24; 1986-87-88, c.26, s.10.

Inquiries

25 The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*.

1983, c.P-30.01, s.25.

Working papers

26 Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

1983, c.P-30.01, s.26; 1986-87-88, c.26, s.11.

Change in auditor

26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan.

1986-87-88, c.26, s.12.

Auditor of accounts of provincial auditor's office

27(1) On the recommendation of the public accounts committee, the Lieutenant Governor in Council shall appoint an accountant who meets the qualifications set out in subsection (2) to annually audit the accounts of the provincial auditor's office.

(2) For the purposes of subsection (1), the accountant appointed pursuant to this section:

(a) must be a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) must not be employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) The accountant appointed pursuant to subsection (1) has the same powers and shall perform the same duties in relation to an audit of the accounts of the provincial auditor's office that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(4) The auditor of the accounts of the provincial auditor's office shall submit his or her report to the Speaker.

2001, c.32, s.14.

Fees

28(1) The provincial auditor may charge a reasonable fee for professional services provided by provincial auditor's office.

(2) All fees charged pursuant to subsection (1) and all other revenues received by the provincial auditor pursuant to this Act shall be deposited in the general revenue fund.

1983, c.P-30.01, s.28; 2001, c.32, s.15.

Limitation of liability

29 The provincial auditor, the employees in the provincial auditor's office and any adviser, specialist or consultant engaged or retained pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

1983, c.P-30.01, s.29; 2001, c.32, s.16.

Information confidential

30 The provincial auditor, any employee in the provincial auditor's office, an appointed auditor, any employee of an appointed auditor or any adviser, specialist or consultant engaged or retained pursuant to section 7:

(a) shall preserve secrecy with respect to all matters that come to his or her knowledge in the course of his or her employment or duties under this Act; and

(b) shall not communicate those matters to any person, other than when he or she is required to do so in connection with:

(i) the administration of this Act;

(ii) any proceedings under this Act; or

(iii) any proceedings in a court of law.

1983, c.P-30.01, s.30; 1986-87-88, c.26, s.13; 2001, c.32, s.17.

31 Repealed. 2001, c.32, s.18.

Transitional

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Financial Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

1983, c.P-30.01, s.32.

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Appendix 2

List and status of agencies subject to an examination under *The Provincial Auditor Act*

Appendix 2 lists the departments, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly, and other agencies subject to an audit examination under *The Provincial Auditor Act* at July 31, 2004.

This Appendix includes the status of those audits at October 31, 2004. The Appendix also indicates whether we have significant issues to report and where the issues are reported.

Our goal is to report the results of our audits of agencies with March fiscal year-ends in the fall and agencies with December fiscal year-ends in the spring. We have not completed the audits at some agencies. In most cases, the audits have been delayed. However, in a few cases, we have not been given access to the necessary information to complete the audits. To ensure that we provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate delayed audits, but rather include their results in future reports.

Appendix 2

Agency	Year end on or before July 31, 2004	Status at October 31, 2004[1]	Significant issues reported[2]
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2004 Rpt V2
Departments and Secretariats:			
Department of Agriculture, Food and Rural Revitalization	March 31	Complete	Yes/2004 Rpt V3
Department of Corrections and Public Safety	March 31	Complete	No
Department of Culture, Youth and Recreation	March 31	Complete	Yes/2004 Rpt V3
Department of Industry and Resources	March 31	Complete	Yes/2004 Rpt V3 & Note 4
Department of Environment	March 31	Complete	Yes/2004 Rpt V1 & 3
Department of Finance	March 31	Complete	Yes/2004 Rpt V1, 2 & 3
Department of Government Relations and Aboriginal Affairs	March 31	Delayed	Yes/2004 Rpt V1
Department of Health	March 31	Complete	Yes/2004Rpt V1 & 3
Department of Highways and Transportation	March 31	Complete	Yes/2004 Rpt V1 & V3
Department of Justice	March 31	Complete	Yes/2004 Rpt V3
Department of Labour	March 31	Complete	Yes/2004 Rpt V3
Department of Learning	March 31	Complete	Yes/2004 Rpt V1 & 3
Department of Community Resources and Employment	March 31	Complete	Yes/2004 Rpt V1 & 3
Executive Council	March 31	Complete	No
Crown agencies:			
101000606 Saskatchewan Ltd.	December 31	Note 2	No
101000607 Saskatchewan Ltd.	December 31	Note 2	No
101005716 Saskatchewan Ltd.	December 31	Complete	No
101027596 Saskatchewan Ltd.	December 31	Complete	No
101042684 Saskatchewan Ltd.	December 31	Complete	No
101047589 Saskatchewan Ltd.	March 31	Complete	No
101047593 Saskatchewan Ltd.	March 31	Complete	No
3339807 Canada Ltd.	December 31	Note 2	No
3364381 Canada Ltd.	December 31	Note 2	No
610277 Saskatchewan Ltd.	December 31	Complete	No
617275 Saskatchewan Ltd.	December 31	Complete	No
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No

Agency	Year end on or before July 31, 2004	Status at October 31, 2004[1]	Significant issues reported[2]
Agri-Food Innovation Fund	March 31	Complete	No
Avonlea Holding, Inc.	December 31	Note 2	No
Battleford International, Inc.	December 31	Note 2	No
Bayhurst Gas Limited	December 31	Complete	No
Beef Development Board	March 31	Complete	No
Board of Governors, Uranium City Hospital	March 31	Delayed	Yes/2004 Rpt V3
Business Watch International Inc.	December 31	Complete	No
Business Watch International (US) Inc.	December 31	Note 2	No
Carlton Trail Regional College	June 30	Rotational	
Carlyle Holding, Inc.	December 31	Note 2	No
Chicken Farmers of Saskatchewan	December 31	Note 1	
CIC Foods Inc.	December 31	Complete	No
CIC FTLP Holdings Inc.	December 31	Complete	No
CIC FTMI Holdings Inc.	December 31	Complete	No
CIC OSB Products Inc.	December 31	Complete	No
CIC Pulp Ltd.	December 31	Complete	No
CIC PVF Holdings Inc.	December 31	Complete	No
CIC Swine Genetics Holdings Inc.	December 31	Delayed	
CIC Swine Genetics Inc.	December 31	Delayed	
CIC Swine Genetics (NL) B.V.	December 31	Delayed	
CIC WLSVF Holdings Inc.	December 31	Delayed	
Coachman Insurance Company	December 31	Complete	Yes/2004 Rpt V1 & V3
Community Initiatives Fund	March 31	Complete	Yes/2004 Rpt V3
Crown Investments Corporation of Saskatchewan	December 31	Complete	Yes/2004 Rpt V1 & 3
Cumberland Regional College	June 30	Rotational	
Cypress Hills Regional College	June 30	Complete	Yes/2004 Rpt V3
Cypress Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
DirectWest Publishing Partnership	December 31	Complete	No
Dundurn Holding, Inc.	December 31	Note 2	No
Education Infrastructure Financing Corporation	March 31	Delayed	
Esterhazy Holding, Inc.	December 31	Note 2	No
First Nations Fund	March 31	Denied Access	
Five Hills Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
Foam Lake Holding, Inc.	December 31	Note 2	No
Genex Swine Group Inc.	September 30	Complete	No
Grenfell Holding, Inc.	December 31	Note 2	No
Government House Foundation	March 31	Complete	No
Health Quality Council	March 31	Complete	No

Appendix 2

Agency	Year end on or before July 31, 2004	Status at October 31, 2004[1]	Significant issues reported[2]
Heartland Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
Heritage Gas Corporation	December 31	Complete	No
Hollywood At Home Inc.	December 31	Note 2	No
Hospitality Network Canada Inc.	December 31	Complete	No
Hospitality Network Canada Partnership	December 31	Note 2	No
Information Services Corporation of Saskatchewan	December 31	Complete	Yes/2004 Rpt V1
Insurance Company of Prince Edward Island	December 31	Complete	Yes/2004 Rpt V1
Investment Saskatchewan Inc.	December 31	Complete	No
Jan Lake Holding, Inc.	December 31	Note 2	No
Katepwa Lake Holding, Inc.	December 31	Note 2	No
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
Kelsey Trail Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
Law Reform Commission of Saskatchewan	March 31	Complete	No
Liquor and Gaming Authority	March 31	Complete	Yes/2004 Rpt V3 & Note 5
Liquor Board Superannuation Commission, The	December 31	Complete	Yes/2004 Rpt V1
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Melfort Holding, Inc.	December 31	Note 2	No
Métis Development Fund	December 31	Complete	No
Milk Control Board	December 31	Complete	No
Municipal Employees' Pension Commission	December 31	Complete	Yes/2004 Rpt V1
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Navigata Communications Inc	December 31	Note 2	No
Navigata Holding, Inc.	December 31	Complete	No
Nokomis Holding, Inc.	December 31	Note 2	No
North West Regional College	June 30	Complete	Yes/2004 Rpt V3
Northern Affairs, Office of	March 31	Complete	Yes/2004 Rpt V3
Northlands College	June 30	Rotational	
Northpoint Energy Solutions Inc.	December 31	Complete	No
Operator Certification Board	March 31	Complete	Yes/2004 Rpt V3
Outlook Holding, Inc.	December 31	Note 2	No
Parkland Regional College	June 30	Rotational	
PCF Investments Ltd.	December 31	Complete	No

Agency	Year end on or before July 31, 2004	Status at October 31, 2004[1]	Significant issues reported[2]
Pleasantdale Holding, Inc.	December 31	Note 2	No
Power Corporation Superannuation Plan	December 31	Complete	Yes/2004 Rpt V1
Power Greenhouses Inc.	December 31	Complete	No
Prairie Agricultural Machinery Institute	March 31	Complete	No
Prairie North Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
Prairie West Regional College	June 30	Complete	Yes/2004 Rpt V3
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
Public Employees Pension Plan	March 31	Complete	Yes/2004 Rpt V1
Public Service Superannuation Board	March 31	Complete	Yes/2004 Rpt V3
Qu'Appelle Holding, Inc.	December 31	Note 2	No
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
RETX, Inc.	December 31	Complete	No
Rosetown Holding, Inc.	December 31	Note 2	No
Sask Pork	July 31	Complete	No
Saskatchewan Alfalfa Seed Producers' Development Commission	July 31	Note 1	
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	No
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	No
Saskatchewan Association of Health Organizations (SAHO)	March 31	Complete	No
Saskatchewan Auto Fund	December 31	Complete	No
Saskatchewan Broiler Hatching Egg Producers' Marketing Board	December 31	Note 1	
Saskatchewan Cancer Foundation	March 31	Complete	No
Saskatchewan Canola Development Commission	July 31	Complete	No
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Communications Network Corporation	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	Yes/2004 Rpt V3
Saskatchewan Development Fund Corporation	December 31	Complete	No
Saskatchewan Egg Producers	December 31	Note 1	
Saskatchewan First Call Corporation	December 31	Complete	No
Saskatchewan Flax Development Commission	July 31	Note 1	
Saskatchewan Gaming Corporation	March 31	Complete	No
Saskatchewan Government Growth Fund Ltd.	December 31	Complete	No

Appendix 2

Agency	Year end on or before July 31, 2004	Status at October 31, 2004[1]	Significant issues reported[2]
Saskatchewan Government Growth Fund II Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund III Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund IV Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund V (1997) Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VI Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VIII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund Management Corporation	December 31	Complete	No
Saskatchewan Government Insurance	December 31	Complete	Yes/2004 Rpt V1 & 3
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	Yes/2004 Rpt V1
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Information Network	March 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	Yes/2004 Rpt V1
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2004 Rpt V3
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	No
Saskatchewan Legal Aid Commission	March 31	Complete	No
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	Yes/2004 Rpt V3
Saskatchewan Mustard Development Commission	July 31	Complete	No
Saskatchewan Opportunities Corporation	December 31	Complete	No
Saskatchewan Pension Annuity Fund	March 31	Complete	Yes/2004 Rpt V3
Saskatchewan Pension Plan	December 31	Complete	Yes/2004 Rpt V1
Saskatchewan Power Corporation	December 31	Complete	Yes/2004 Rpt V1 & 3
Saskatchewan Property Management Corporation	March 31	Complete	Yes/2004 Rpt V3
Saskatchewan Pulse Crop Development Board	August 31	Note 1	
Saskatchewan Research Council, The	March 31	Complete	No
Saskatchewan Sheep Development Board	September 30	Note 1	

Agency	Year end on or before July 31, 2004	Status at October 31, 2004[1]	Significant issues reported[2]
Saskatchewan Telecommunications	December 31	Complete	Yes/2004 Rpt V1 & V3
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	Yes/2004 Rpt V1 & V3
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Telecommunications International (Tanzania) Limited	December 31	Note 2	No
Saskatchewan Transportation Company	December 31	Complete	Yes/2004 Rpt V3
Saskatchewan Turkey Producers' Marketing Board	December 31	Note 1	
Saskatchewan Valley Potato Corporation	December 31	Complete	No
Saskatchewan Water Corporation	December 31	Complete	No
Saskatchewan Watershed Authority	March 31	Complete	No
Saskatoon2 Management Ltd.	December 31	Note 2	No
Saskatoon2 Properties Limited Partnership	December 31	Note 3	No
Saskatoon Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
SaskEnergy Chilean Holdings I Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings II Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings Limitada	December 31	Complete	No
SaskEnergy Incorporated	December 31	Complete	Yes/2004 Rpt V1 & 3
SaskEnergy International Incorporated	December 31	Complete	No
SaskEnergy Mexican Holdings Ltd.	December 31	Complete	No
SaskEnergy Nova Scotia Holdings Ltd.	December 31	Complete	No
SaskPen Properties Ltd.	December 31	Denied Access	
SaskPower International Inc.	December 31	Complete	No
SaskTel Data Exchange Inc.	December 31	Note 2	No
SaskTel Holding (Australia), Inc.	December 31	Note 2	No
SaskTel Holding (New Zealand) Inc.	December 31	Note 2	No
SaskTel Holding (U.K.) Inc.	December 31	Note 2	No
SaskTel International Consulting, Inc.	December 31	Note 2	No
SaskTel Investments Inc.	December 31	Note 2	No
SaskTel New Media Fund Inc.	December 31	Note 2	No
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SGC Holdings Inc.	March 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	Yes/2004 Rpt V1 & V3
Shellbrook Holding, Inc.	December 31	Note 2	No
Southeast Regional College	June 30	Rotational	
St. Louis Alcoholism Rehabilitation Centre Inc.	March 31	Complete	No
STI Communications Pty Limited	December 31	Note 2	No

Appendix 2

Agency	Year end on or before July 31, 2004	Status at October 31, 2004[1]	Significant issues reported[2]
Sun Country Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
Sunrise Regional Health Authority	March 31	Complete	Yes/2004 Rpt V3
Swan Valley Gas Corporation	December 31	Complete	No
Teachers' Superannuation Commission	June 30	Complete	Yes/2004 Rpt V1
TecMark International Commercialization Inc.	March 31	Complete	No
Tisdale Holding, Inc.	December 31	Note 2	No
TransGas Limited	December 31	Complete	Yes/2004 Rpt V3
Unity Holding, Inc.	December 31	Note 2	No
University of Regina Crown Foundation	April 30	Complete	No
University of Saskatchewan Crown Foundation	April 30	Complete	No
Vanguard Holding, Inc.	December 31	Note 2	No
Wadena Holding, Inc.	December 31	Note 2	No
Water Appeal Board	March 31	Complete	No
Western Development Museum	March 31	Complete	No
Workers' Compensation Board	December 31	Complete	Yes/2004 Rpt V1
Workers' Compensation Board Superannuation Plan	December 31	Complete	Yes/2004 Rpt V1
WTC Investments Ltd.	December 31	Complete	No
Special purpose and trust funds:			
Capital Pension Plan	December 31	Complete	Yes/2004 Rpt V1
Cattle Marketing Deductions Fund	March 31	Complete	No
Commercial Revolving Fund	March 31	Complete	Yes/2004 Rpt V3
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Correspondence School Revolving Fund	March 31	Complete	No
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Department of Community Resources and Employment Central Trust Account	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	No
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	No
Extended Health Care Plan for Retired Employees	December 31	Complete	No
Fiscal Stabilization Fund	March 31	Complete	No
Fish and Wildlife Development Fund	March 31	Complete	Yes/2004 Rpt V3
Forest Fire Contingency Fund	March 31	Complete	No

Agency	Year end on or before July 31, 2004	Status at October 31, 2004[1]	Significant issues reported[2]
General Revenue Fund	March 31	Complete	Yes/2004 Rpt V3
Highways Revolving Fund	March 31	Complete	No
Horned Cattle Fund	March 31	Complete	Yes/2004 Rpt V3
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31	Complete	No
Information Technology Office	March 31	Complete	Yes/2004 Rpt V1
Judges of the Provincial Court Superannuation Plan	March 31	Complete	Yes/2004 Rpt V1
Livestock Services Revolving Fund	March 31	Complete	No
Navigata Communications Inc. Pension Plan	December 31	Complete	No
Northern Revenue Sharing Trust Account	December 31	Complete	Yes/2004 Rpt V1
Office of the Rentalsman—Rentalsman's Trust Account	March 31	Complete	No
Oil and Gas Environmental Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	Yes/2004 Rpt V3
Prince of Wales Scholarship Fund	March 31	Complete	No
Provincial Mediation Board Trust Account	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	Yes/2004 Rpt V3
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	Yes/2004 Rpt V1
Public Employees Disability Income Fund	December 31	Complete	No
Public Employees Group Life Insurance Fund	December 31	Complete	No
Public Guardian and Trustee for Saskatchewan	March 31	Complete	No
Queen's Printer Revolving Fund	March 31	Complete	No
Resource Protection and Development Revolving Fund	March 31	Complete	Yes/2004 Rpt V3
SAHO Core Dental Plan Fund	December 31	Complete	No
SAHO Disability Income Plan – CUPE Fund	December 31	Complete	No
SAHO Disability Income Plan – SEIU Fund	December 31	Complete	No
SAHO Disability Income Plan – General Fund	December 31	Complete	No
SAHO Disability Income Plan – SUN Fund	December 31	Complete	No
SAHO In-scope Extended Health/ Enhanced Dental Fund	December 31	Complete	No
SAHO Out-of-scope Extended Health/ Enhanced Dental Fund	December 31	Complete	No

Appendix 2

Agency	Year end on or before July 31, 2004	Status at October 31, 2004[1]	Significant issues reported[2]
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	Yes/2004 Rpt V3
Saskatchewan Development Fund	December 31	Complete	No
Saskatchewan Legal Aid Commission Client Trust Accounts	March 31	Complete	No
Saskatchewan Legal Aid Endowment Fund Trust	December 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	Yes/2004 Rpt V1
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	Yes/2004 Rpt V3
Saskatchewan Telecommunications Pension Plan	December 31	Complete	Yes/2004 Rpt V1
SaskEnergy Retiring Allowance Plan	December 31	Note 3	
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
SGI Service Recognition Plan	December 31	Note 3	
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	Yes/2004 Rpt V1
Training Completions Fund	March 31	Complete	No
Transportation Partnerships Fund	March 31	Complete	No
Trust Accounts at Court House, Local Registrars and Sheriff's Offices	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Offices of the Legislative Assembly:			
Board of Internal Economy	March 31	Complete	Yes/2004 Rpt V3
Chief Electoral Office	March 31	Complete	Yes/2004 Rpt V1 & 3
Children's Advocate, Office of the	March 31	Complete	No
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No
Ombudsman, Office of the	March 31	Complete	No
Other agencies subject to examination under *The Provincial Auditor Act*:			
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Complete	No
University of Regina Academic and Administrative Employees Pension Plan	December 31	Complete	No

Agency	Year end on or before July 31, 2004	Status at October 31, 2004[1]	Significant issues reported[2]
University of Regina Master Trust	December 31	Complete	No
University of Regina Non-Academic Pension Plan	December 31	Complete	No
University of Regina Pension Plan for Eligible Part-Time Employees	December 31	Complete	No
University of Regina, The	April 30	Complete	No
University of Saskatchewan 1999 Academic Pension Plan	December 31	Complete	No
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Complete	No
University of Saskatchewan Academic Employees' Pension Plan	December 31	Complete	No
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Complete	No
University of Saskatchewan Clinicians' Service-Side Pension Plan	December 31	Complete	No
University of Saskatchewan, The	April 30	Complete	No

Note 1: We audit these agencies in a different way.

In 1999, the Department of Agriculture, Food and Rural Revitalization and our Office agreed that the most efficient way for our Office to examine these smaller agricultural marketing and development agencies would be to work through the Agricultural and Food Products Development and Marketing Council. As part of our audit of the Department, we examine the supervisory work carried out by the Council regarding the financial statements of these agencies and the rules and procedures to safeguard public resources and to comply with legislative authorities.

Note 2: These entities are wholly or partially-owned subsidiaries of Saskatchewan Telecommunications Holding Corporation (Corporation). They are included in the consolidated financial statements of the Corporation. For the year ending December 31, 2003, these entities did not carry out active operations.

Note 3: These agencies were created or became a crown agency after March 31, 2004. For these agencies, July 31, 2004 or December 31, 2004 is their first year-end. The status of the audits of these agencies will be provided in future reports.

Note 4: For 2004, the Department continued to make payments to NewGrade Energy Inc. that were without authority. Our 2001 Fall Report – Volume 2, Chapter 16, contains further information on this matter.

Note 5: For 2005, Liquor and Gaming Authority made payments totalling $229,000 towards promoting casinos that were without authority. Our 2003 Report – Volume 3 contains further information on this matter.

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[1] "Complete" – the audit was complete at October 31, 2004.
"Delayed" – the audit was delayed.

"Rotational" – for a few sectors (i.e., regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at October 31, 2004 as "Complete". We list the other entities as "Rotational".

"Denied Access" – in a few cases, we have not been given access to the necessary information to *complete the audits.*

[2] "No" - no significant issues were reported.

"Yes/2004 Rpt V1" – significant issues were reported in our 2004 Report – Volume 1.
"Yes/2004 Rpt V2" – significant issues were reported in our 2004 Report – Volume 2.
"Yes/2004 Rpt V3" – significant issues are reported in our 2004 Report –Volume 3.

Appendix 3

Samples of opinions we form on departments, Crown agencies, and Crown-controlled corporations

Our mission states: "We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability". To fulfill our mission, we examine and provide independent assurance (conclusions) and advice on the Government's management of and accountability practices for the public resources entrusted to it.

We advise the Legislative Assembly on:

- the adequacy of the Government's management of public resources;
- the Government's compliance with legislative authorities; and
- the reliability of the Government's public performance reports.

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions. The following are samples of our audit opinions.

1. The adequacy of the Government's management of public resources.

> I have audited [Crown Agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives.
>
> - To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
> - To prepare reliable financial statements.
> - To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgements about the effectiveness of [Crown Agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown Agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of [Crown Agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable not absolute assurance of achieving objectives reliably for two reasons. First, there are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Second, cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or the degree of compliance with control activities may deteriorate.

In my opinion, [Crown Agency X]'s control was effective, in all significant respects, related to the objectives stated above as of [date] based on the CICA criteria of control framework.

2. The Government's compliance with legislative authorities.

I have made an examination to determine whether [Crown Agency X] complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding assets, spending, revenue raising, borrowing and investing activities during the year ended [date]:

(List legislative and related authorities covered by this report. This list must include all governing authorities.)

My examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown Agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [date].

3. The reliability of financial statements.

I have audited the balance sheet of [Crown Agency X] as at [date] and the statements of income, retained earnings and cash flows for the year then ended. The [Crown Agency X]'s management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the [Crown Agency X] as at [date] and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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